萬城控股有限公司

Million Cities Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2892

GLOBAL OFFERING

Sole Sponsor

光大證券 EBS INTERNATIONAL

Sole Global Coordinator

光大證券 EBS INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

光大證券 EBS INTERNATIONAL

農銀國際 ABC INTERNATIONAL

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

MILLION CITIES

萬城控股有限公司
Million Cities Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**187,500,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**18,750,000 Shares (subject to reallocation)**
Number of International Offer Shares	:	**168,750,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$1.33 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**2892**

Sole Sponsor

光大證券 EBS INTERNATIONAL

Sole Global Coordinator

光大證券 EBS INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

光大證券 EBS INTERNATIONAL

農銀國際 ABC INTERNATIONAL

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

A copy of this prospectus, having attached thereto the documents specified in paragraph headed "A. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission 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 determined by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event no later than Tuesday, 18 December 2018. The Offer Price will be not more than HK$1.33 per Offer Share and is expected to be not less than HK$1.07 per Offer Share, unless otherwise announced.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. A notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.millioncities.com.cn**. Further details are set out in sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Tuesday, 18 December 2018, the Global Offering will not become unconditional and will lapse immediately.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the sub-paragraph headed "Grounds for termination" under the paragraph headed "Underwriting arrangements and expenses" under the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered (i) to Qualified Institutional Buyers in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A, or another available exemption from registration under the U.S. Securities Act; and (ii) outside the United States in accordance with Regulation S.

10 December 2018

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**(2)	11:30 a.m. on Thursday, 13 December 2018
Application lists open(3)	11:45 a.m. on Thursday, 13 December 2018
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, 13 December 2018
Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 13 December 2018
Latest time for giving **electronic application instructions** to HKSCC(4)	12:00 noon on Thursday, 13 December 2018
Application lists close(3)	12:00 noon on Thursday, 13 December 2018
Expected Price Determination Date(5)	Thursday, 13 December 2018
Announcement of the 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 to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.millioncities.com.cn**(6)	Wednesday, 19 December 2018
Results of allocation in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels, including the website of the Stock Exchange at **www.hkexnews.hk**, the website of the Company at **www.millioncities.com.cn**, the Hong Kong Public Offering allocation results telephone enquiry line and the special allocation results booklets as described in the paragraph headed "11. Publication of results" under the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus	Wednesday, 19 December 2018

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	Wednesday, 19 December 2018
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before(7–9) (12)	Wednesday, 19 December 2018
Despatch of refund cheques in respect of wholly successful (where applicable) or wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before(6) (8–12)	Wednesday, 19 December 2018
Despatch of White Form e-Refund payment instructions in respect of wholly successful (where applicable) or wholly or partially successful applications will be despatched on or before(6) (8–12)	Wednesday, 19 December 2018
Dealings in the Shares on the Stock Exchange to commence at	9:00 a.m. on Thursday, 20 December 2018

Notes:

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

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

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 13 December 2018, the application lists will not open or close on that day. Further information is set out in the paragraph headed "10. Effect of bad weather on the opening of the application lists" under the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus. If the application lists do not open and close on Thursday, 13 December 2018, the dates mentioned in this section may be affected. An announcement will be made by us in such event.

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

(5) The Price Determination Date is expected to be on or around Thursday, 13 December 2018 and, in any event, not later than Tuesday, 18 December 2018. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us by Tuesday, 18 December 2018, the Global Offering will not proceed and will lapse.

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

(7) Share certificates will only become valid at 8:00 a.m. on Thursday, 20 December 2018 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.

(8) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or share certificates in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 19 December 2018 or such other date as notified by our Company on our Company's website (**www.millioncities.com.cn**) as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

(9) Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants'stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

(10) For applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions**, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Wednesday, 19 December 2018. For applications who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 19 December 2018 or in the activity statement showing the amount of refund money credited to their designated bank

account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the paragraph headed "14. Despatch/collection of share certificates and refund monies" under the section headed "How to apply for the Hong Kong Offer Shares" for details.

(11) Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to that bank account in the form of e-Refund payment instructions on Wednesday, 19 December 2018. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques on or before Wednesday, 19 December 2018 by ordinary post at their own risk.

(12) Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants'own risk to the addresses specified in the relevant applications. Further details are set out in the paragraph headed "14. Despatch/collection of share certificates and refund monies" under the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

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

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company, solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in other jurisdictions and the offering and sale of the Offer Shares in other jurisdictions may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation 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 authorised 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 authorised by us, any of our directors, affiliates, advisers, agents or representatives or any person or party involved in the Global Offering. Information contained in our website, located at ***www.millioncities.com.cn****, does not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. 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 forth in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW AND OUR BUSINESS MODEL

We are a property developer primarily focusing on development of properties that are dominantly for residential use mixed with ancillary facilities, such as retail stores, club house and kindergartens, in Huizhou in Guangdong Province and locations in the PRC which we consider with potential growth, such as Tianjin and Zhumadian in Henan Province, to attract middle to high income residents in surrounding neighbourhoods. We sell our developed properties, and lease out certain developed and unsold developed properties to obtain rental income, such as kindergarten and retail stores. We commenced our business in property development in Huizhou in Guangdong Province through the establishment of Huizhou China Field in April 2003 and the commencement of construction of our first residential development project, Million Cities International in Huizhou in Guangdong Province. Later, we were acquainted with our third-party business partners in Tianjin and Zhumadian in Henan Province and have begun our collaboration with them since then. We have established various joint ventures and associates and non-wholly-owned subsidiaries with our third-party business partners. Through the collaborations with our third-party business partners, we acquired knowledge and business connections in the PRC property market, expanded our business networks in various local markets, enhanced our project development and management skills and, thus, we gradually established our foothold in the PRC property market.

Brief details of how each of our development projects was managed and operated as at 30 September 2018 are set out below:

Development projects operated through our wholly-owned subsidiaries

Reference to valuation report project no.	Project	Status of project development as at 30 September 2018	Name of responsible project company	Our ownership interest in the relevant project company as at 30 September 2018	Controlling party(ies) of the relevant project company	Profit/loss sharing arrangement	Cooperation arrangement with third-party business partner(s) for daily management of the project company
2.	Million Cities International (萬城國際) Phases 4 and 5	Held for future development	Huizhou Cheer Happy, being our wholly-owned subsidiary	100%	Our Group	N/A	N/A
11.	Crown Grand Court (皇冠豪苑)	Under development	Huizhou China Field, being our wholly-owned subsidiary	100%	Our Group	N/A	N/A
15.	Million Cities International (萬城國際) Phases 1 to 3	Completed	Huizhou Cheer Happy, being our wholly-owned subsidiary	100%	Our Group	N/A	N/A

Development projects operated through our non-wholly-owned subsidiaries

Reference to valuation report project no.	Project	Status of project development as at 30 September 2018	Name of responsible project company	Our ownership interest in the relevant project company as at 30 September 2018	Controlling party(ies) of the relevant project company	Profit/loss sharing arrangement	Cooperation arrangement with third-party business partner(s) for daily management of the project company
3.	Million Cities Royal Court (萬城君滙花園)	Held for future development	Huizhou Million Cities, being our non-wholly-owned subsidiary	54.4%	Our Group	In accordance with equity holding	• Our Group — (i) providing capital; (ii) monitoring project finance and cashflow; and (iii) managing the daily operation of the construction of the development project; and • Third-party business partners — providing capital
7.	Million Cities Tycoon Place (萬城聚豪) Phase 3	Under development	Tianjin Jianji, being our non-wholly owned subsidiary	55%	Our Group	In accordance with equity holding	• Our Group — (i) providing capital; (ii) monitoring project finance and cashflow; and (iii) managing the daily operation of the construction of the development project; and • Third-party business partner — providing capital
8.	Million Cities Tycoon Place (萬城聚豪) Phase 4	Under development	Tianjin Jianji, being our non-wholly owned subsidiary	55%	Our Group	In accordance with equity holding	• Our Group — (i) providing capital; (ii) monitoring project finance and cashflow; and (iii) managing the daily operation of the construction of the development project; and • Third-party business partner — providing capital
9.	Million Cities Legend (萬城名座) Phase 3	Under development	Huizhou Million Cities, being our non-wholly owned subsidiary	54.5%	Our Group	In accordance with equity holding	• Our Group — (i) providing capital; (ii) monitoring project finance and cashflow; and (iii) managing the daily operation of the construction of the development project; and • Third-party business partners — providing capital
10.	Million Cities Legend (萬城名座) Phase 2	Under development	Huizhou Million Cities, being our non-wholly owned subsidiary	54.5%	Our Group	In accordance with equity holding	• Our Group — (i) providing capital; (ii) monitoring project finance and cashflow; and (iii) managing the daily operation of the construction of the development project; and • Third-party business partners — providing capital

Reference to valuation report project no.	Project	Status of project development as at 30 September 2018	Name of responsible project company	Our ownership interest in the relevant project company as at 30 September 2018	Controlling party(ies) of the relevant project company	Profit/loss sharing arrangement	Cooperation arrangement with third-party business partner(s) for daily management of the project company
13.	Legend Plaza (名座廣場)	Under development	Tianjin Jianji, being our non-wholly owned subsidiary	55%	Our Group	In accordance with equity holding	• Our Group — (i) providing capital; (ii) monitoring project finance and cashflow; and (iii) managing the daily operation of the construction of the development project; and • Third-party business partner — providing capital
16.	Million Cities Legend (萬城名座) Phase 1	Completed	Huizhou Million Cities, being our non-wholly-owned subsidiary	54.4%	Our Group	In accordance with equity holding	• Our Group — (i) providing capital; (ii) monitoring project finance and cashflow; and (iii) managing the daily operation of the construction of the development project; and • Third-party business partners — providing capital
17.	Sunshine New Court (陽光新苑) Phases 1 and 2	Completed	Huizhou Yuefu, being our non-wholly-owned subsidiary	95.39%	Our Group	In accordance with capital injection agreement *(Note)*	• Our Group — (i) providing capital; (ii) monitoring project finance and cashflow; and (iii) managing the daily operation of the construction of the development project; and • Third-party business partners — providing capital
18.	Million Cities Tycoon Place (萬城眾豪) Phases 1 and 2	Completed	Tianjin Jianji, being our non-wholly owned subsidiary	55%	Our Group	In accordance with equity holding	• Our Group — (i) providing capital; (ii) monitoring project finance and cashflow; and (iii) managing the daily operation of the construction of the development project; and • Third-party business partner — providing capital

Note: Pursuant to the capital injection agreement dated 25 June 2018 and entered into between among Mr. Lin Guoxian ("**Mr. Lin**"), Ms. Wang Xiaoxia ("**Ms. Wang**"), Million Cities Corporate Management and Huizhou Yuefu, it was agreed that the retained profit of Huizhou Yuefu as at 31 May 2018 and the estimated unrealised gain arising from the unsold inventories as at 31 May 2018, is to be distributed according to the equity holding before the capital injection by Million Cities Corporate Management (i.e. 52% held by Mr. Lin and 48% held by Ms. Wang).

Development projects operated through our joint venture

Reference to valuation report project no.	Project	Status of project development as at 30 September 2018	Name of responsible project company	Our ownership interest in the relevant project company as at 30 September 2018	Controlling party(ies) of the relevant project company	Profit/loss sharing arrangement	Cooperation arrangement with third-party business partner(s) for daily management of the project company
4.	Million Cities Tonghu Centre (萬城潼湖中心)	Held for future development	Huizhou Well Kong, being our joint venture	50%	Spring Estate Holdings Limited	In accordance with equity holding	• Our Group — (i) providing capital; and (ii) monitoring project finance and cashflow; and • Third-party business partner — (i) providing capital; and (ii) managing the daily operation of the construction of the development project
5.	Dragon Terrace (玖龍台) Phase 2	Held for future development	Huizhou Well Kong, being our joint venture	50%	Spring Estate Holdings Limited	In accordance with equity holding	• Our Group — (i) providing capital; and (ii) monitoring project finance and cashflow; and • Third-party business partner — (i) providing capital; and (ii) managing the daily operation of the construction of the development project
12.	Dragon Terrace (玖龍台) Phase 1	Under development	Huizhou Well Kong, being our joint venture	50%	Spring Estate Holdings Limited	In accordance with equity holding	• Our Group — (i) providing capital; and (ii) monitoring project finance and cashflow; and • Third-party business partner — (i) providing capital; and (ii) managing the daily operation of the construction of the development project

Development projects operated through our associate

Reference to valuation report project no.	Project	Status of project development as at 30 September 2018	Name of responsible project company	Our ownership interest in the relevant project company as at 30 September 2018	Controlling party(ies) of the relevant project company	Profit/loss sharing arrangement	Cooperation arrangement with third-party business partner(s) for daily management of the project company
1.	Dragon Palace (聚瓏灣) Phase 2	Held for future development	Henan Julong, being our associate	30%	Warren Pacific Limited	In accordance with equity holding	• Our Group — providing capital; and • Third-party business partners — (i) providing capital; and (ii) managing daily operation of the construction of the development project
14.	Dragon Palace (聚瓏灣) Phase 1	Under development	Henan Julong, being our associate	30%	Warren Pacific Limited	In accordance with equity holding	• Our Group — providing capital; and • Third-party business partners — (i) providing capital; and (ii) managing daily operation of the construction of the development project

With our strong foothold in Huizhou in Guangdong Province, our expertise in the PRC real estate market, including our understanding of local property market conditions and our sales and marketing capabilities on property developments accumulated over the years, we have also selectively acquired properties with potential investment returns which were not developed by us, and we either lease out such properties or renovate and refurnish such properties for sale. According to the Colliers Report, we ranked the 12th among property developers in Huizhou in Guangdong Province based on the residential GFA available for sale in the first half of 2018 which is in accordance with the pre-sale permits issued in the first half of 2018 available in the public domain, having a market share of approximately 1.4%.

Our development projects are located in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province. As at the 30 September 2018, we had 17 development projects which were either completed, under various stages of development, or for future development in the PRC, and we owned land use rights with an aggregate site area of approximately 896,844.45 sq.m. and land bank with an aggregate GFA of approximately 2,103,333.25 sq.m.. A sufficient amount of land bank can enhance our competitiveness in the property market. According to the Colliers Report, our Group has solid local market knowledge and experience in property development, a reputable brand name in the local markets, strategically located land bank in Huizhou in Guangdong Province and other cities with a relatively high development potential, our Group will be in good position to capture opportunities in the PRC property development industry.

We mainly categorise our residential properties as (i) high-rise apartments (高層住宅) — which are typically buildings with 10 storeys or above; (ii) mid-high-rise apartments (中高層住宅) — which are typically buildings with seven to nine storeys; (iii) multiple-storey apartments (多層住宅) — which are typically buildings with four to six storeys; and (iv) villas (別墅) — which are typically buildings with no more than three storeys. During the Track Record Period, we financed our development projects primarily through (i) bank borrowings; (ii) capital contributions from our Shareholders; (iii) proceeds from sale and pre-sale of our properties; and (iv) loans from our related parties. Certain of our subsidiaries received funding for development projects from our Controlling Shareholders and related parties in the form of interest free shareholders' loan during the Track Record Period, amounted to approximately RMB1,085.3 million, RMB968.0 million, RMB958.1 million and RMB955.0 million, respectively, during the three years ended 31 December 2017 and the six months ended 30 June 2018. Among the balance as at 30 June 2018, approximately RMB649 million was due to our Controlling Shareholders and associates. Part of such amounts, being an aggregate sum of approximately RMB443.0 million as at 30 June 2018, will be capitalised into our equity prior to Listing, while the amount of approximately RMB172.0 million will be settled prior to Listing, among which approximately RMB41.1 million will be net-off by the amount due from our Controlling Shareholders while the rest of approximately RMB130.9 million will be settled by cash. The rest of approximately RMB34.0 million due to our Controlling Shareholders (being the deemed distribution to our Controlling Shareholder as being equity holder (being Mr. Lin Guoxian as nominee for the Wong's Family) of Huizhou Yuefu) will be settled when (i) the properties sold but not yet delivered by Huizhou Yuefu as at 31 May 2018 are delivered; and (ii) the unsold inventory of Huizhou Yuefu as at 31 May 2018 are sold and delivered.

The relevant equity holders of our project companies (i.e. our Group and/or third-party business partner(s)) would finance the relevant project companies in proportion to their equity holding in the form of interest-free loan upon Listing, if necessary. For further details regarding the amount due to our Controlling Shareholders and related parties, please refer to the sub-paragraph headed "Amounts due to related parties" under the paragraph headed "Related party transactions" under the section headed "Financial information" in this prospectus.

Our completed development projects were mainly targeting middle to high income residents in surrounding neighbourhoods of the development project locations. The construction of Million Cities International Phases 1 to 3 and Sunshine New Court Phase 1 was completed before the Track Record Period. Such completed development projects contributed revenue of approximately RMB15.0 million, RMB13.9 million, RMB11.8 million and RMB96.6 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. Most of the residential units of Million Cities International Phases 1 to 3 were sold before the Track Record Period. The increase in the revenue derived from such completed development projects from approximately RMB11.8 million for the year ended 31 December 2017 to approximately RMB96.6 million for the six months ended 30 June 2018 was primarily due to the sale of units in Sunshine New Court Phase 1. After completion of the construction of Sunshine New Court Phase 1 in October 2010, it was rented out to Huizhou Crowne Hotel as staff quarter between December 2010 and March 2017. As such, there was no sale of units in Sunshine New Court Phase 1 before the Track Record Period. Due to the increase in average selling price of residential properties in Huizhou in Guangdong Province between 2015 and 2016, Huizhou Yuefu decided to sell Sunshine New Court Phase 1 in late 2017 to obtain more sales revenue. Hence, with most of the residential units being delivered during the six months ended 30 June 2018, most of the sale of residential units of Sunshine New Court Phase 1 were only recognised during the same period. For further details regarding the revenue contribution of each of our completed development projects during the Track Record Period, please refer to the sub-paragraph headed "Revenue" under the paragraph headed "Consolidated statements of profit or loss" under the section headed "Financial information" in this prospectus.

The following table sets out a summary of our development projects as at 30 September 2018:

Development projects held for future development

The following table sets out a summary of our development projects held for future development as at 30 September 2018:

Reference to valuation report project no.	Project[4]	Site area	Actual/estimated commencement date	Estimated completion date	Estimated pre-sale date	Planned GFA	Cost of development incurred[1]	Expected future cost of development[1]	Name of responsible project company	Ownership interest as at 30 September 2018[2]	Market value in existing state attributable to our Group as at 30 September 2018[3]	Valuation methodology as at 30 September 2018	Key valuation assumptions as at 30 September 2018
		(sq.m.)				(sq.m.)	(RMB million)	(RMB million)		(%)	(RMB million)		
1.	Dragon Palace (聚瓏灣) Phase 2	106,192.39	December 2018	November 2020	September 2019	89,081.00	145.69[5]	203.39	Henan Julong[6]	30	25.80	Market approach	Accommodation value: RMB964/sq.m.
2.	Million Cities International (萬城國際) Phases 4 and 5	60,977.78	June 2020	December 2022	January 2021	240,558.00	28.29	1,420.08	Huizhou Cheer Happy[7]	100	271.00	Market approach	Accommodation value: RMB1,480/sq.m.
3.	Million Cities Royal Court (萬城君滙花園)	47,679.00	June 2020	December 2022	January 2021	150,475.00	4.49	939.46	Huizhou Million Cities[8]	54.5	64.31	Market approach	Accommodation value: RMB1,030/sq.m.
4.	Million Cities Tonghu Centre (萬城潼湖中心)	55,596.00	June 2019	January 2025	May 2020	378,642.00	317.92	1,273.29	Huizhou Well Kong[9]	50	230.00	Market approach	Accommodation value: RMB1,539/sq.m.
5.	Dragon Terrace (玖龍台) Phase 2	42,566.00	December 2018	March 2021	August 2019	222,299.00	293.28[5]	888.33	Huizhou Well Kong[9]	50	171.50	Market approach	Accommodation value: RMB1,959/sq.m.

Notes:

1. Calculated based on the (i) planned GFA of the relevant phase of the development project in proportion to the total planned GFA of the relevant development project; and (ii) attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018.
2. It represents the percentage of our Group's interest in the responsible project company as at 30 September 2018.
3. It does not include attributable value of non-saleable amenities. Calculated based on the attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.
4. As at the Latest Practicable Date, we also own a piece of residential land located at Lianhe Village, for which we did not have any development plan. For further details, please refer to the sub-paragraph headed "Residential land located at Lianhe Village (聯和村住宅用地)" under the paragraph headed "Our development projects" under the section headed "Business" in this prospectus.
5. Such development cost incurred mainly consisted of land acquisition costs.
6. Such responsible project company is our associate.
7. Such responsible project company is our wholly-owned subsidiary.
8. Such responsible project company is our non-wholly-owned subsidiary.
9. Such responsible project company is our joint venture.

Development projects under development

The following table sets out a summary of our development projects under development as at 30 September 2018:

Reference to valuation report project no.	Project	Site area (sq.m.)	Actual commencement date	Estimated completion date	Actual/estimated pre-sale date	GFA under development (sq.m.)	Saleable GFA[4] (sq.m.)	Saleable GFA pre-sold (sq.m.)	Saleable GFA pre-sold (%)	Cost of development incurred[1] (RMB million)	Expected future cost of development[1] (RMB million)	Name of responsible project company	Ownership interest as at 30 September 2018[2] (%)	Market value in existing state attributable to our Group as at 30 September 2018[3] (RMB million)	Valuation methodology as at 30 September 2018	Key valuation assumptions as at 30 September 2018
7.	Million Cities Tycoon Place (萬城聚豪) Phase 3	46,461.96	September 2018	October 2022	October 2019	91,344.55	57,199.60	—	N/A	73.90	438.47	Tianjin Jianji[6]	55	152.90	Market approach	Accommodation value: RMB4,847/sq.m.
8.	Million Cities Tycoon Place (萬城聚豪) Phase 4	28,611.84	April 2018	December 2021	September 2018	72,750.61	49,620.74	18,420.00	37.12	153.65	269.27	Tianjin Jianji[6]	55	114.40	Market approach	Unit rate of Residential portion: RMB14,000/sq.m. Retail portion: RMB16,500/sq.m. Underground carparking portion: RMB118,000/space
9.	Million Cities Legend (萬城名座) Phase 3	22,899.45	April 2018	September 2020	July 2019	112,140.00	76,074.00	—	N/A	39.73	563.79	Huizhou Million Cities[6]	54.5	66.49	Market approach	Accommodation value: RMB1,610/sq.m.
10.	Million Cities Legend (萬城名座) Phase 2	33,084.00	January 2017	December 2018	January 2018	162,315.00	114,504.31	70,066.00	61.19	552.94	416.11	Huizhou Million Cities[6]	54.5	531.92	Market approach	Unit rate of residential portion: RMB14,500/sq.m. retail portion: RMB15,800/sq.m. kindergarten portion: RMB3,160/sq.m. underground carparking portion: RMB113,000/space
11.	Crown Grand Court (皇冠豪苑)	43,928.80	August 2017	February 2019	May 2018	74,746.10	33,460.66	19,767.00	59.08	248.50	84.86	Huizhou China Field[7]	100	444.00	Market approach	Unit rate of high-rise residential portion: RMB10,300/sq.m. villa portion: RMB15,500/sq.m. retail portion: RMB17,800/sq.m. underground carparking portion: RMB132,000/space
12.	Dragon Terrace (玖龍台) Phase 1	52,325.00	March 2018	December 2020	January 2019	149,586.49	124,026.00	—	N/A	318.58	494.40	Huizhou Well Kong[8]	50	246.00	Market approach	Unit rate of residential portion: RMB11,300/sq.m. retail portion: RMB13,400/sq.m.
13.	Legend Plaza (名座廣場)	39,756.30	November 2015	August 2021	September 2019	9,266.63	79,512.00	—	N/A	64.47	343.98	Tianjin Jianji[6]	55	63.25	Market approach	Accommodation value: RMB1,446/sq.m.
14.	Dragon Palace (聚瓏灣) Phase 1	115,361.38	July 2018	May 2020	September 2018	241,644.30[5]	18,608.20	—	N/A	197.99	584.04	Henan Julong[9]	30	243.90	Market approach	Unit rate of residential portion: RMB6,000/sq.m. retail portion: RMB8,500/sq.m. underground carparking portion: RMB100,000/space

Notes:

1. Calculated based on the (i) GFA under development of the relevant phase of the development project in proportion to the total GFA under development of the relevant development project; and (ii) attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018.
2. It represents the percentage of our Group's interest in the responsible project company as at 30 September 2018.
3. It does not include attributable value of non-saleable amenities. Calculated based on the attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.
4. Calculated based on the relevant pre-sale permit available, or the surveying report or the construction works planning permit if the pre-sale permit is not available or applicable, or if we have not obtained relevant pre-sale permit, surveying report or construction works planning permit, based upon the relevant construction works commencement permit and our internal records and estimates, which may be subject to change.
5. Based on the construction works planning permit as only part of the area of the development project has obtained construction works commencement permit.
6. Such responsible project company is our non-wholly-owned subsidiary.
7. Such responsible project company is our wholly-owned subsidiary.
8. Such responsible project company is our joint venture.
9. Such responsible project company is our associate.

Completed development projects

The following table sets out a summary of our completed development projects as at 30 September 2018:

Reference to valuation report project no.	Project	Site area (sq.m.)	Actual commencement date	Actual pre-sale commencement date	Actual completion date	Actual delivery date	Completed GFA[6] (sq.m.)	Saleable/ leasable GFA (sq.m.)	GFA unsold (sq.m.)	Cost of development[1] (RMB million)	Unit cost of sales per sq.m. (RMB)	Name of responsible project company	Ownership interest as at 30 September 2018[2] (%)	Market value in existing state attributable to our Group as at 30 September 2018[3] (RMB million)	Valuation methodology as at 30 September 2018	Key valuation assumptions as at 30 September 2018
15.	Million Cities International (萬城國際) Phases 1 to 3	50,571.00	Phase 1: March 2008 Phase 2: December 2009 Phase 3: May 2011	Phase 1: July 2008 Phase 2: April 2010 Phase 3: September 2011	Phase 1: September 2009 Phase 2: December 2011 Phase 3: January 2013	Phase 1: October 2009 Phase 2: January 2012 Phase 3: March 2013	189,177.27	140,073.42	28,346.19	628.54	3,248.98-4,002.06	Huizhou Cheer Happy[7]	100	336.00	Market approach	Unit rate of residential portion: RMB14,500/sq.m. shop portion: RMB15,800/sq.m. clubhouse portion: RMB7,900/sq.m. underground carparking: spaces portion RMB113,000/space
16.	Million Cities Legend (萬城名座) Phase 1	33,915.55	December 2013	September 2014	July 2016	July 2016	144,743.00	100,320.64	41,928.04	589.08	4,505.31	Huizhou Million Cities[8]	54.5	80.12	Market approach	Unit rate of residential portion: RMB14,500/sq.m. shop portion: RMB15,800/sq.m. clubhouse portion: RMB7,900/sq.m.
17.	Sunshine New Court (陽光新苑) Phases 1 and 2	32,109.70	Phase 1: September 2008 Phase 2: September 2014	Phase 1: June 2012[4] Phase 2: June 2015	Phase 1: October 2010 Phase 2: September 2016	Phase 1: March 2018 Phase 2: October 2016	117,297.96	85,550.07	19,998.88	384.14	3,695.22-3,890.55	Huizhou Yuefu[8]	95.39	34.34	Market approach	Unit rate of residential portion: RMB15,500/sq.m. shop portion: RMB19,000/sq.m. kindergarten portion: RMB3,800/sq.m.
18.	Million Cities Tycoon Place (萬城聚豪) Phases 1 and 2	84,808.30	Phase 1: March 2015 Phase 2: April 2015	Phase 1: September 2015 Phase 2: November 2015	Phase 1: October 2017 Phase 2: October 2017	Phase 1: November 2017 Phase 2: November 2017	173,390.08[5]	127,937.48	18,211.46	873.14	5,777.60	Tianjin Jianji[8]	55	107.25	Market approach	Unit rate of residential portion: RMB14,000/sq.m. shop portion: RMB16,500/sq.m. underground carparking portion: RMB118,000/sq.m.

Notes:

1. Calculated based on the (i) completed GFA of the relevant phase of the development project in proportion to the total completed GFA of the relevant development project; and (ii) attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018.
2. It represents the percentage of our Group's interest in the responsible project company as at 30 September 2018.
3. It does not include attributable value of non-saleable amenities. Calculated based on the attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.
4. As there was no pre-sale for Sunshine New Court Phase 1, it represents the date of the sale permit of such development project.
5. As at the Latest Practicable Date, we have completed the construction of one of the buildings for Million Cities Tycoon Place Phase 1 but yet to obtain the completion certificate. The total completed GFA of Million Cities Tycoon Place Phases 1 and 2 does not include the completed GFA of such building.
6. As at the Latest Practicable Date, we had one completed civil air defense property with an aggregate GFA of approximately 5,500.14 sq.m., which was primarily used or to be used for car parks, representing an insignificant portion of our property portfolio. We have accounted for such property as completed development project. As part of our day-to-day operations, we monitor our business practice related to the Civil Air Defense Law to ensure such compliance. For further details regarding the relevant laws and regulations regarding civil air defense, please refer to the paragraph headed "Civil air defense property" under the section headed "Regulatory overview" in this prospectus.
7. Such responsible project company is our wholly-owned subsidiary.
8. Such responsible project company is our non-wholly-owned subsidiary.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

- we are a regional property developer with our development projects being strategically located near established transportation network in Huizhou in Guangdong Province and locations in the PRC which we consider with potential growth;
- we have established an operation system that facilitates the development of quality development projects in a timely and cost efficient manner;
- we focus on developing high quality, innovative and customer-oriented products in order to ensure that they meet the market trends and are appealing to our customers;
- we have well-established reputation and brand name; and
- we have an experienced management team supported by a well-trained workforce as well as management and organisation structure.

OUR STRATEGIES

Our strategies consist of the following:

- continue to focus on the development of properties on our land bank, in particular, in the Greater Bay Area and locations in the PRC which we consider with potential growth;
- expand our operations in other parts of the PRC in which we currently do not have a presence with our diversified land acquisition strategies with a view to allocate resources to what we believe to be profitable opportunities;
- expand the diversity of our properties to be developed, including the development of residential properties, integrated residential properties and commercial properties; and
- strengthen our cost control capability and maintain the quality of the properties that we develop through establishing long-term relationships with construction contractors.

KEY FINANCIAL AND OPERATIONAL DATA

The following tables present the summary of consolidated historical financial information extracted from the Accountants' Report as set out in Appendix I to this prospectus:

Selected items of consolidated statements of profit or loss

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	58,482	894,784	973,093	52,478	263,009
Cost of sales	(42,881)	(668,116)	(767,680)	(34,600)	(139,898)
Gross profit	15,601	226,668	205,413	17,878	123,111
Profit/(loss) before taxation	6,368	186,643	141,387	(5,763)	90,826
(Loss)/profit attributable to:					
Equity shareholders of our Company	418	68,007	38,592	(7,905)	16,800
Non-controlling interests	(7,078)	62,960	38,185	99	22,820
(Loss)/profit for the year/period	(6,660)	130,967	76,777	(7,806)	39,620

Although we recorded a net loss of approximately RMB6.7 million for the year ended 31 December 2015, we recorded net profit of approximately RMB131.0 million, RMB76.8 million and RMB39.6 million for the two years ended 31 December 2017 and the six months ended 30 June 2018, respectively. Such change was primarily due to the significant increase in our revenue for the two years ended 31 December 2017 and the six months ended 30 June 2018 as compared to the year ended 31 December 2015 as a result from the revenue derived from the sale of Million Cities Legend Phase 1 and Sunshine New Court Phase 2 in Huizhou in Guangdong Province in 2016, the sale of Million Cities Tycoon Place Phases 1 and 2 in Tianjin in 2017, and the sale of Sunshine New Court Phase 1, Million Cities Legend Phase 2 and Crown Grand Court in Huizhou in Guangdong Province in the first half of 2018.

Revenue

Our revenue mainly represented income from sale of properties and gross rentals from properties earned during the year/period, net of sales related taxes and discounts allowed. The following table sets out the breakdown of our revenue generated during the Track Record Period:

	Year ended 31 December									Six months ended 30 June					
	2015			2016			2017			2017			2018		
Sale of properties	GFA recognised *(Note 1)* (sq.m.)	Revenue (RMB'000)	Average selling price (RMB/ sq.m.)	GFA recognised *(Note 1)* (sq.m.)	Revenue (RMB'000)	Average selling price (RMB/ sq.m.)	GFA recognised *(Note 1)* (sq.m.)	Revenue (RMB'000)	Average selling price (RMB/ sq.m.)	GFA recognised *(Note 1)* (sq.m.)	Revenue (RMB'000) *(unaudited)*	Average selling price (RMB/ sq.m.)	GFA recognised *(Note 1)* (sq.m.)	Revenue (RMB'000)	Average selling price (RMB/ sq.m.)
— Million Cities International (萬城國際)	2,464	14,968	6,075	1,866	13,915	7,458	—	—	—	—	—	—	471	6,091	12,932
— Million Cities Legend (萬城名座)	5,502	31,664	5,755	88,978	541,047	6,081	2,353	22,413	9,524	1,666	14,872	8,927	7,952	98,694	12,411
— Sunshine New Court (陽光新苑)	1,163	5,596	4,811	60,766	315,417	5,191	6,697	41,638	6,217	4,374	23,603	5,396	13,907	108,050	7,769
— Million Cities Tycoon Place (萬城聚豪)	184	916	4,977	2,607	20,848	7,996	116,129	876,952	7,552	1,556	11,850	7,616	2,981	19,762	6,629
— Commercial property in Huizhou, namely Double Stars Commercial Building (雙子星國際商務大廈) ("Double Stars") *(Note 2)*	—	—	—	—	—	—	2,118	28,053	13,246	—	—	—	—	—	—
— Crown Grand Court (皇冠豪苑)	—	—	—	—	—	—	—	—	—	—	—	—	3,047	28,313	9,292
Sub-total	9,313	53,144	5,706	154,217	891,227	5,779	127,297	969,056	7,613	7,596	50,325	6,625	28,358	260,910	9,201
Gross rentals from operating lease *(Note 3)*	—	5,338	—	—	3,557	—	—	4,037	—	—	2,153	—	—	2,099	—
Total		58,482			894,784			973,093			52,478			263,009	

Notes:

1. GFA recognised refers to areas of properties which are eligible for revenue recognition according to our Group's accounting policy.

2. It represents proceeds from sale of two units of commercial property, namely Double Stars, in Huizhou in Guangdong Province in 2017. Such units of Double Stars were acquired by us in 2005.

3. It represents gross rentals from leasing of our investment properties as well as leasing of certain of our developed and unsold properties, including office buildings, car parks and kindergarten.

4. During the Track Record Period, nil, approximately RMB11.6 million, RMB9.1 million and RMB8.1 million, respectively (representing nil, approximately 1.3%, 0.9% and 3.1%, respectively) of our total revenue were derived from the sale of our properties to our staff or their respective close family members.

Cost of sales

Our cost of sales mainly represented the costs we incurred directly for our property development activities and leasing operations. The following table sets out the components of our cost of properties sold during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 *(unaudited)*	%	RMB'000	%
Cost of development projects										
— Land use rights costs	1,420	3.3	34,159	5.1	122,469	16.0	2,029	5.9	16,708	11.9
— Development costs	40,480	94.4	627,912	94.0	599,898	78.1	31,564	91.2	119,857	85.7
— Capitalised interest *(Note 1)*	—	—	4,487	0.7	31,820	4.1	182	0.5	2,028	1.4
Sub-total	41,900	97.7	666,558	99.8	754,187	98.2	33,775	97.6	138,593	99.0
Cost of leasing operations	981	2.3	1,558	0.2	1,693	0.2	825	2.4	1,305	1.0
Others *(Note 2)*	—	—	—	—	11,800	1.6	—	—	—	—
Total	**42,881**	**100.0**	**668,116**	**100.0**	**767,680**	**100.0**	**34,600**	**100.0**	**139,898**	**100.0**

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
Total GFA recognised (sq.m.)	9,313	154,217	127,297	7,596	28,358
Average cost per sq.m. sold (RMB) *(Note 3)*	4,499	4,322	6,017	4,446	4,887
Average cost as % of average selling price (%)	79	75	79	67	53
Average land use rights cost per sq.m. sold (RMB) *(Note 4)*	152	222	962	267	589
Average land use rights cost as % of average selling price (%)	3	4	13	4	6

Notes:

1. Capitalised interest represents the finance costs that we capitalised to the extent that such costs are directly attributable to the construction of a particular development project.

2. Others represent the cost of two units of Double Stars, which were disposed of during the year.

3. Average cost of sales per sq.m. sold refers to the average cost of our property sold and is derived by dividing the sum of land use rights costs and development costs for a period by the total GFA recognised in that year/period. The figure for 2017 includes the cost of two units of Double Stars which were sold during the year.

4. Average land use rights cost per sq.m. sold refers to the average land use rights cost of our property sold and is derived by dividing the land use rights costs for a year or six months by the total GFA recognised in that relevant year/period.

Gross profit and gross profit margin

The following table sets out our total gross profit and gross profit margin during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Sale of properties										
— Million Cities International (萬城國際)	3,599	24.0	6,681	48.0	—	—	—	—	4,328	71.1
— Million Cities Legend (萬城名座)	6,726	21.2	135,063	25.0	11,673	52.1	7,274	48.9	43,926	44.5
— Sunshine New Court (陽光新苑)	1,071	19.1	77,203	24.5	15,893	38.2	6,453	27.3	55,091	51.7
— Million Cities Tycoon Place (萬城聚豪)	(152)	(16.6)	5,722	27.4	159,250	18.2	2,824	23.8	8,374	42.4
— Double Stars	—	—	—	—	16,253	57.9	—	—	—	—
— Crown Grand Court (皇冠豪苑)	—	—	—	—	—	—	—	—	9,787	34.6
	11,244	21.2	224,669	25.2	203,069	21.0	16,551	32.9	122,316	46.9
Gross rentals from operating lease	4,357	81.6	1,999	56.2	2,344	58.1	1,327	61.6	795	37.9
	15,601	**26.7**	**226,668**	**25.3**	**205,413**	**21.1**	**17,878**	**34.1**	**123,111**	**46.8**

Note:

During the Track Record Period, nil, approximately RMB0.9 million, nil and approximately RMB3.4 million, respectively, of our gross profit were derived from the sale of our properties to our staff and their respective close family members.

The increase in our gross profit margin from approximately 34.1% for the six months ended 30 June 2017 to approximately 46.8% for the six months ended 30 June 2018 was primarily due to the percentage increase in average selling price per sq.m. was larger than the percentage increase in average cost of sales per sq.m. during the six months ended 30 June 2018 as compared to those for the six months ended 30 June 2017. For further details, please refer to the sub-paragraph headed "Six months ended 30 June 2018 compared to the six months ended 30 June 2017" under the paragraph headed "Discussion of results of operation" under the section headed "Financial information" in this prospectus.

Selected items of consolidated statements of financial position

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	51,289	63,040	223,848	255,483
Current assets	1,800,409	1,964,364	1,660,542	2,294,007
Current liabilities	1,791,981	1,878,305	1,610,298	2,257,780
Net current assets	8,428	86,059	50,244	36,227
Non-current liabilities	4,322	4,950	6,157	78,466
Net assets	55,395	144,149	267,935	213,244

As at 31 December 2017, we breached the covenants of an agreement dated 17 January 2017 entered into between Huizhou Million Cities and a bank in the PRC ("**Bank**") relating to a banking facility ("**Bank Loan Agreement 1**") of a total amount of approximately RMB269.0 million to finance the development of Million Cities Legend Phase 2. Such breaches were due to the difference in our interpretation and the Bank's of the covenants.

As at 30 June 2018, we breached the covenants of the Bank Loan Agreement 1, and an agreement dated 30 September 2017 and entered into between Huizhou China Field and the Bank (as supplemented) relating to bank loan ("**Bank Loan Agreement 2**") to finance the development of Million Cities Legend Phase 2 and Crown Grand Court. The breach of the Bank Loan Agreement 1 was due to the actual total investment costs for Million Cities Legend Phase 2 exceeded the investment limit pursuant to the Bank Loan Agreement 1 as a result of the increase in cost of raw materials, while the breach of the Bank Loan Agreement 2 was due to the difference in our interpretation and the Bank's of the covenant.

We have obtained an one-off waiver letter from the Bank in respect of the breaches occurred in 2017 related to the Bank Loan Agreement 1. The Bank has also issued one-off waiver letters to us whereby it has agreed to waive the breach of the Bank Loan Agreement 1 and the Bank Loan Agreement 2 occurred during the six months ended 30 June 2018. As at 31 October 2018, apart from the abovementioned breaches of the Bank Loan Agreement 1 and the Bank Loan Agreement 2 which occurred in 2017 and during the six months ended 30 June 2018, which were subsequently waived one-off by the Bank, our Group was not in breach of each of the Bank Loan Agreement 1 and the Bank Loan Agreement 2. As confirmed by our Directors, subsequent to obtaining the abovementioned waiver letters from the Bank, the Bank will not implement any measures against our Group in respect of the abovementioned breaches of the Bank Loan Agreement 1 and the Bank Loan Agreement 2. For further details, please refer to the sub-paragraph headed "Bank loans" under the paragraph headed "Indebtedness and contingent liabilities" under the section headed "Financial information" in this prospectus.

Selected items of consolidated statements of cash flows

	For the year ended 31 December			For the six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** *(unaudited)*	**RMB'000**
Net cash (outflow)/inflow from operating activities	(303,006)	276,948	(225,005)	(123,543)	349,667
Net cash inflow/(outflow) from investing activities	26,722	(2,052)	(132,385)	(25,684)	28,467
Net cash inflow/(outflow) from financing activities	281,101	(224,468)	346,281	114,448	2,218
Increase/(decrease) in cash and cash equivalents	4,817	50,428	(11,109)	(34,779)	380,352
Cash and cash equivalents at 1 January	50,128	54,945	105,372	105,372	94,172
Effect of foreign exchange rate changes	—	(1)	(91)	—	(32)
Cash and cash equivalents at 31 December/30 June	54,945	105,372	94,172	70,593	474,492

We had net cash outflow from operating activities of approximately RMB303.0 million for the year ended 31 December 2015, primarily attributable to the (i) increase in inventories and other contract costs of approximately RMB573.6 million; (ii) increase in trade and other receivables of approximately RMB77.4 million; and (iii) increase in pledged and restricted cash of approximately RMB58.0 million during the year. It was partially offset by the (i) profit before taxation of approximately RMB6.4 million generated; (ii) increase in contract liability of approximately RMB381.0 million; and (iii) increase in trade and other payables of approximately RMB55.7 million during the year.

We had net cash outflow from operating activities of approximately RMB225.0 million for the year ended 31 December 2017, primarily attributable to the decrease in contract liabilities of approximately RMB659.1 million during the year. It was partially offset by the (i) profit before taxation of approximately RMB141.4 million generated; (ii) decrease in inventories and other contract costs of approximately RMB99.8 million; and (iii) decrease in pledged and restricted cash of approximately RMB128.1 million, during the year.

Key financial ratios

The following table sets out a summary of certain financial ratios for the periods or as at the dates indicated:

	Year ended/as at 31 December			Six months ended/as at 30 June
	2015	2016	2017	2018
Net profit margin (%)(1)	N/A(7)	14.6	7.9	15.1
Return on equity (%)(2)	N/A(7)	90.9	28.7	N/A(9)
Current ratio(3)	1.0	1.0	1.0	1.0
Gearing ratio (%)(4)	112.6	N/A(8)	111.7	170.9
Net debt to equity ratio (%)(5)	13.4	N/A(8)	76.6	N/A
Return on total assets (%)(6)	N/A(7)	6.5	4.1	N/A(9)

Notes:

1. Equals to net profit for the year/period divided by revenue of the respective year/period.
2. Equals to net profit for the year divided by total equity as of the end of the respective year.
3. Equals to current assets divided by current liabilities as of the end of the respective year/period.
4. Equals to total interest-bearing bank loans divided by total equity as of the end of the respective year/period.
5. Equals to total interest-bearing bank loans less cash and cash equivalents as a percentage of total equity as of the end of the respective year/period.
6. Equals to net profit for the year divided by total assets as of the end of the respective year.
7. The figure is not meaningful as our Company was loss-making at the end of the respective year.
8. The figure is not meaningful as there was no bank loan at the end of the respective year.
9. The six-month figure is not meaningful as it is not comparable to an annual figure.

CUSTOMERS

We primarily target customers with middle to high income in surrounding neighbourhoods of our development projects in the PRC. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our single largest customer accounted for approximately 3.4%, 0.3%, 2.9% and 1.4%, respectively, of the total revenue of our Group. Our five largest customers, who are independent third parties, accounted for approximately 12.3%, 1.5%, 4.4% and 6.7% of the total revenue of our Group for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. For further details regarding our customers, please refer to the paragraph headed "Customers" under the section headed "Business" in this prospectus.

SUPPLIERS

We engage the services of external third party construction contractors and suppliers in our development project construction. Our major suppliers mainly consist of construction companies and sales agents in the PRC. For the three years ended 31 December 2017 and the six months ended 30 June 2018, the single largest supplier for our Group accounted for approximately 50.7%, 44.6%, 40.3% and 31.8%, respectively, of our total cost. The five largest suppliers for our Group, who are independent third parties, accounted for approximately 94.1%, 86.8%, 86.5% and 77.3% of our total cost for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. For further details regarding our suppliers, please refer to the paragraph headed "Suppliers" under the section headed "Business" in this prospectus.

RECENT DEVELOPMENT

Our business operations had remained stable after the Track Record Period and up to the date of this prospectus as there were no material changes to our business model and the general economic and regulatory environment in which we operate.

During the month ended 31 July 2018, we commenced construction of Dragon Palace Phase 1, pre-sale thereof took place in the third quarter in 2018 and completion thereof is expected to take place in the second quarter in 2020.

During the period from 31 July 2018 to the Latest Practicable Date, the number of development projects remained unchanged (i.e. 17 development projects).

We further obtained financing for our development projects after the Track Record Period. In July 2018, our Group obtained bank loan facilities of approximately RMB1,450.0 million for funding the construction and development of Dragon Terrace Phases 1 and 2. In addition, we also obtained financing for repayment of balances due to our Controlling Shareholders prior to Listing. In October 2018, our Group obtained bank loan facility with a principal amount of approximately HK$100.0 million.

Our development projects, namely Million Cities Legend Phase 2 and Crown Grand Court, have commenced pre-sale in January and May 2018, respectively. Given around nine and five months, respectively, after commencement of the pre-sale of each of Million Cities Legend Phase 2 and Crown Grand Court, as at 30 September 2018, the percentage of saleable GFA pre-sold to the total saleable GFA of the development project had reached approximately 61.19% and 59.08%, respectively.

Further, our development project in Tianjin, namely Million Cities Tycoon Place Phase 4, was subject to certain purchase restrictions imposed by the relevant PRC authorities. For details of such purchase restrictions, please refer to the sub-paragraph headed "Sales after completion of commodity properties" under the paragraph headed

"Real estate transactions" under the section headed "Regulatory overview" in this prospectus. Million Cities Tycoon Place Phase 4 commenced pre-sale in September 2018, and given the short period of time (i.e. less than one month) after commencement of the pre-sale, the percentage of saleable GFA pre-sold to the total saleable GFA of this development project as at 30 September 2018 had reached approximately 37.12%.

Although there may be external factors affecting the pre-sale of our development projects, such as the slowdown of economy in the PRC and the purchase restrictions imposed by the relevant PRC authorities in Tianjin, considering the positive pre-sale results of our development projects in 2018, our Directors consider that (i) purchase restrictions imposed by the relevant PRC authorities in Tianjin will not have material adverse impact on our Company; and (ii) there will be sufficient demand for our future development projects.

Our Directors believe that the outlook and development potential of Huizhou in Guangdong Province remains attractive as the central government planned to develop the Greater Bay Area to a world class cluster, transforming from the "World Factory" to a dynamic hub of innovation and services, comparable to San Francisco Bay Area, Greater New York and Greater Tokyo Area. With the upcoming infrastructure improvement in the Greater Bay Area, Huizhou will be the interchange hub of Ganshen high speed train line and Guangshen high speed train line by 2021. The opening of Guangzhou-Shenzhen Hong Kong Express Rail Link in 2018 has shortened the travelling time from Huizhou to Hong Kong to about 50 minutes. Upon completion of the infrastructure projects in the Greater Bay Area, cross-city travelling from Huizhou to other cities in the Greater Bay Area will be limited to approximately one hour. Within the one-hour living zone, it is expected that surrounding cities share the same border with Huizhou, including Guangzhou, Dongguan and Shenzhen, will become the direct catchment area of the real estate market of Huizhou. At the same time, Huizhou aimed to develop itself into a hub of innovation and technology and is positioned to be a hi-tech conversion area. Example can be seen in the development of the Tonghu Ecological Intelligent Zone which plans to become the "Silicon Valley" in Guangdong. According to the local government's plan, it is expected that the population of Tonghu Ecological Intelligent Zone will reach approximately 170,000 by the end of 2020, representing an increase of approximately four times as compared to the same in 2016, and an increase in GDP at a CAGR of approximately 19.4% from 2017 to 2030. In terms of Huizhou, according to the local government's plan, the GDP is expected to increase at a CAGR of approximately 5.5% from 2017 to 2022, and the population is expected to increase at a CAGR of approximately 23.3% from 2017 to 2020.

In light of the Greater Bay Area concept, upcoming infrastructure improvement, foreseeable population increase and economic growth, our Directors consider that the outlook of the property market in the Greater Bay Area, including Huizhou, will be positive. With Huizhou being one of the focused cities of our Group and our strong foothold in the city, such positive outlook of the property market in Huizhou will be beneficial to our Group and it is expected that there will be sufficient demand for our future development projects in the relevant locations.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since 30 June 2018, and there is no event since 30 June 2018 which would materially affect the information shown in the Accountants' Report which sets out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Global Offering that we will receive, assuming an Offer Price of HK$1.20 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$191.1 million, after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Global Offering and assuming the Over-allotment Option is not exercised, and no Shares are issued pursuant to any options which may be granted under the Share Option Scheme. We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 42.0%, or HK$80.3 million, will be used to fund ongoing and future development projects, including land acquisition cost and future development costs for potential development projects, and future development costs for Million Cities Legend Phase 3;

- approximately 52.3%, or HK$100.0 million, will be used to repay the pre-IPO loan with a principal amount of approximately HK$100.0 million (the "**Pre-IPO Loan**") which was obtained for the purpose of repayment of balances due to our Controlling Shareholders prior to Listing. Such balances due to our Controlling Shareholders and its associates were due from subsidiaries, joint ventures and associates of our Group where the majority of them are domiciled in offshore location, while most of our Group's cash is located in the PRC. According to the relevant PRC laws, our Group has to rely on dividend payment as a means to repay balances due to our Controlling Shareholders if our Group has to use cash located in the PRC. However, such dividend would be subject to withholding tax and it would be larger than the amount of balances due to our Controlling Shareholders as the payment of such dividend had to be made in proportion to equity holdings where our Group does not wholly own each subsidiary, joint venture and associate in the PRC. In addition, some of our onshore cash is subject to restrictions and has designated use for development projects, and if our cash was used to repay our Controlling Shareholders, we would have to source additional onshore funds to finance normal business operations and future development projects. Considering the above, our Group considers that repaying balances due to our Controlling Shareholders by the Pre-IPO Loan would be more desirable in terms of procedures and convenience. The interest rate charged to the Pre-IPO Loan is 4% per annum over HIBOR or the bank's cost of funds, and the Pre-IPO Loan is repayable within one year from the date of drawdown or within 10 business days from the date of Listing. The Pre-IPO Loan was fully drawn down on 6 November 2018; and

- approximately 5.7%, or HK$10.8 million, will be used for general working capital purposes.

The above allocation of proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. For further details, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

LISTING EXPENSES

The total listing expenses are estimated to be approximately RMB29.6 million (equivalent to HK$33.9 million) (assuming an Offer Price of HK$1.20 per Offer Share, being the mid-point of our indicative Offer Price range of HK$1.07 to HK$1.33 per Offer Share, and that the Over-allotment Option is not exercised). Of the aggregate listing expenses of approximately RMB29.6 million (equivalent to HK$33.9 million), of which approximately (i) RMB13.0 million (equivalent to HK$14.9 million) is directly attributable to the issue of the Offer Shares and to be accounted for as a deduction from equity upon Listing; and (ii) RMB16.6 million (equivalent to HK$19.0 million) was/will be charged as expenses to our consolidated statements of profit or loss, of which approximately RMB1.0 million (equivalent to HK$1.1 million) and approximately RMB8.7 million (equivalent to HK$10.0 million) was charged for the year ended 31 December 2017 and for the six months ended 30 June 2018, respectively, and the balance of approximately RMB6.9 million (equivalent to HK$7.9 million) is expected to be charged for the six months ending 31 December 2018.

OFFERING STATISTICS

All statistics in this table are based on the assumptions that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any share options which may be granted under the Share Option Scheme.

	Based on an Offer Price of HK$1.07 per Share	Based on an Offer Price of HK$1.33 per Share
Market capitalisation(1)	HK$802.5 million	HK$997.5 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share(2)	HK$0.44	HK$0.50

Notes:

(1) The calculation of market capitalisation is based on 750,000,000 Shares expected to be in issue following the Global Offering.

(2) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share is arrived at after the adjustments referred to in Appendix II to this prospectus and on the basis of 750,000,000 Shares are expected to be in issue assuming that the Global Offering was completed on 30 June 2018, assuming the Over-Allotment Option and any options which may be

granted under the Shares Option Scheme are not exercised, and excluding any Shares which may be issued or repurchased by our Company. The adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share excluded the capitalisation of amounts due to our Controlling Shareholders as described in paragraph headed "Amounts due to related parties" under the section headed "Financial information" in this prospectus.

DIVIDENDS

We did not declare any dividends during the Track Record Period.

We do not currently have a dividend payment plan or policy. Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions under our bank loan agreements, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles, and (ii) the applicable laws of the Cayman Islands. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future. For further details, please refer to the paragraph headed "Dividends" under the section headed "Financial information" in this prospectus.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We believe a few of the more significant risks relating to our business are as follows:

- our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly in the Greater Bay Area;

- we are subject to extensive government regulations and control and are particularly susceptible to adverse changes in policies relating to the PRC property market and in local policies in the regions in which we operate;

- our results of operation may vary significantly from period to period and such fluctuations make it difficult to predict our future performance and price of our Shares;

- we may not be able to acquire land parcels at desirable locations that are suitable for our future development at commercially acceptable prices and if that happens, our business, financial condition, results of operation as well as prospects may be materially and adversely affected;

- we engage the services of external third party construction contractors and suppliers in our development project construction and as a result, the timely delivery of our development projects that are up to our specified quality standards to a large extent depends on the quality of the work of such construction contractors and suppliers; and

- we had negative operating cash flow for the year ended 31 December 2015 and the year ended 31 December 2017, and a negative total cash flow for the year ended 31 December 2017.

These risks are not the only significant risks that may affect the value of our Shares. Please refer to the section headed "Risk factors" in this prospectus for further details.

HISTORICAL NON-COMPLIANCE

During the Track Record Period, we did not comply with certain applicable laws and regulations, namely failure to timely set up housing provident fund accounts for certain of our employees and failure to timely contribute fully to social insurance and housing provident fund contributions for certain of our employees.

Please refer to the sub-paragraph headed "Non-compliance" under the paragraph headed "Licences, regulatory approvals and compliance records" under the section headed "Business" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders

Immediately upon completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and no Shares are issued pursuant to any options which may be granted under the Share Option Scheme), Fortune Speed will directly hold 562,500,000 Shares, representing 75% of the total issued shares capital of our Company. Fortune Speed is wholly owned by Winnermax Management, which is in turn wholly owned by Happy Family Assets, a company wholly owned by East Asia International Trustee Limited. East Asia International Trustees Limited is the trustee of the Happy Family Trust. Pursuant to the trust deed establishing the Happy Family Trust, Mr. TC Wong is the settlor and protector of the Happy Family Trust for the benefit of the Wong's Family.

As such, Happy Family Assets, Winnermax Management and Fortune Speed will together be entitled to directly or indirectly exercise or control the exercise of 75% of the voting rights at the general meeting of our Company immediately following completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised, and no Shares are issued pursuant to any options which may be granted under the Share Option Scheme). Therefore, we consider Happy Family Assets, Winnermax Management, Fortune Speed and each of the members of the Wong's Family as a group of Controlling Shareholders of our Group for the purpose of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial position in the last 12 months. Except to the extent disclosed in the paragraph headed "Recent development" above, our Directors confirm that there has been no material adverse change in our financial, operational or trading position since 30 June 2018 (being the date as of which our latest audited consolidated financial statements were prepared as set out in Appendix I to this prospectus) and up to the date of this prospectus.

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

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), individually or collectively, as the context may require
"Articles of Association" or "Articles"	the articles of association of our Company (as amended from time to time), approved by the written resolutions of the Shareholder(s) on 26 November 2018 and effective from the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of the share premium account of our Company as referred to in the sub-paragraph headed "4. Resolutions in writing of the Shareholder(s) passed on 26 November 2018" under the paragraph headed "A. Further information about our Group" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"Cheer Happy"	Cheer Happy (H.K.) Limited (怡展(香港)有限公司), a company incorporated in Hong Kong with limited liability on 22 April 2005, previously owned by Mr. TC Wong, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond and Mr. George Lau as to 40%, 20%, 20%, 10% and 10% equity interests respectively. As at the Latest Practicable Date, it is a wholly owned subsidiary of our Company
"China Field "	China Field Investment Limited (漢基投資有限公司), a company incorporated in Hong Kong with limited liability on 17 January 2003, previously owned by Mr. TC Wong, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond and Mr. George Lau as to 40%, 20%, 20%, 10% and 10% equity interests respectively. As at the Latest Practicable Date, it is a wholly owned subsidiary of our Company
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Colliers"	Colliers International (Hong Kong) Limited, being our industry expert and property valuer
"Colliers Report"	the industry research report dated 7 December 2018 prepared by Colliers
"Companies Law" or "Cayman Companies Law"	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company" or "our Company"	Million Cities Holdings Limited 萬城控股有限公司, a company incorporated in the Cayman Islands on 15 November 2016 as an exempted company with limited liability

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Happy Family Assets, Winnermax Management, Fortune Speed and each of the members of the Wong's Family
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax of the PRC
"Fortune Speed"	Fortune Speed Investments Limited, a company incorporated in the BVI on 30 May 2018, wholly owned by Winnermax Management. Fortune Speed is one of our Controlling Shareholders
"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 the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Greater Bay Area"	Guangdong-Hong Kong-Macau Bay Area, being the integrated economic and business hub covering cities such as Hong Kong, Macau, and cities in the PRC such as Guangzhou, Huizhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Jiangmen and Zhaoqing
"Group", "our Group", "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the subsidiary of our Company or the businesses operated by its present subsidiaries or (as the case may be) its predecessor
"Happy Family Assets"	Happy Family Assets Limited (庭槐資產有限公司), a company incorporated in the BVI with limited liability on 23 February 2015, wholly-owned by East Asia International Trustees Limited. Happy Family Assets is one of our Controlling Shareholders

"Happy Family Trust"	a trust established on 1 June 2015 by Mr. TC Wong (as the settlor) and East Asia International Trustees Limited, an independent trustee incorporated in the BVI (as the trustee), for the benefit of the Wong's Family
"Henan Julong"	河南聚龍居置業有限公司 (Henan Julong Ju Real Estate Company Limited*), a company established in the PRC with limited liability on 9 August 2017, indirectly owned by our Company and two independent third parties as to approximately 30.0% and 70.0% in aggregate, respectively, as at the Latest Practicable Date, an associate company of our Company
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company 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 Offer Shares"	the 18,750,000 Shares initially offered for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong, as further described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the sub-paragraph headed "Hong Kong Underwriters" under the paragraph headed "Underwriters" under the section headed "Underwriting" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated 7 December 2018 relating to the Hong Kong Public Offering and entered into by our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and our Company, as further described in the sub-paragraph headed "Hong Kong Underwriting Agreement" under the paragraph headed "Underwriting arrangements and expenses" under the section headed "Underwriting" in this prospectus
"Huizhou"	Huizhou City, Guangdong Province, the PRC
"Huizhou Cheer Happy"	Huizhou Cheer Happy Real Estate Development Company Limited* (惠州怡展房地產開發有限公司), a company established in the PRC with limited liability on 6 April 2006, a wholly-owned subsidiary of Cheer Happy as at the Latest Practicable Date
"Huizhou China Field"	Huizhou China Field Real Estate Development Company Limited* (惠州漢基房地產開發有限公司), a company established in the PRC with limited liability on 8 April 2003, a wholly-owned subsidiary of China Field as at the Latest Practicable Date
"Huizhou Crowne Hotel"	Huizhou Gangsheng Real Estate Company Limited Crowne Plaza Hotel (惠州港升置業有限公司皇冠假日酒店), a branch company established by Huizhou Gangsheng on 13 November 2009 in the PRC, which is, in turn, owned as to 99.5% by Kong Sing (H.K.) Limited and as to 0.5% by Huizhou Yuefu respectively as at the Latest Practicable Date. Kong Sing (H.K.) Limited is indirectly wholly owned by Happy Family Trust as at the Latest Practicable Date
"Huizhou Gangsheng"	Huizhou Gangsheng Real Estate Company Limited (惠州港升置業有限公司), a company established in the PRC with limited liability on 20 April 2005, owned as to 99.5% by Kong Sing (H.K.) Limited and as to 0.5% by Huizhou Yuefu respectively as at the Latest Practicable Date. Kong Sing (H.K.) Limited is indirectly wholly owned by Happy Family Trust as at the Latest Practicable Date

"Huizhou Kangcheng"	Huizhou Kangcheng Property Management Limited* (惠州市康城物業管理有限公司) , a company established in the PRC with limited liability on 22 September 2008, which was ultimately owned by Mr. Liu Weito and Ms. Fan Yuanxin (spouse of Mr. Liu Weito) as to 74% and 26%. As at 29 June 2018, Mr. Liu Weito has transferred his equity interests in Huizhou Kangcheng to independent third party(ies) and Huizhou Kangcheng has ceased to be a connected person of our Company since then and up to the Latest Practicable Date
"Huizhou Million Cities"	Huizhou Million Cities Real Estate Development Company Limited* (惠州市萬城房地產開發有限公司), a company established in the PRC with limited liability on 10 May 2001, an indirectly non-wholly-owned subsidiary of our Company, which was owned by 43.38% equity interest by Million Cities Corporate Management, 24.5% equity interests by Mr. Liu Weito, 21% by Ms. Wang Xiaoxia, 6.12% equity interest by Huizhou Cheer Happy and 5% equity interests by Mr. Lin Guoxian, respectively as at the Latest Practicable Date
"Huizhou Well Kong"	Huizhou Well Kong Property Company Limited* (惠州惠港置業有限公司), a company established in the PRC with limited liability on 22 December 2016, indirectly owned by Million Cities BVI and Spring Estate Holdings Limited (泉置控股有限公司) as to approximately 50% and 50%, respectively as at the Latest Practicable Date
"Huizhou Yuefu"	Huizhou Yuefu Real Estate Company Limited* (惠州市悅富房地產有限公司), a company established in the PRC with limited liability on 29 April 2006, an indirectly non-wholly-owned subsidiary of our Company, which was owned by Million Cities Corporate Management, Ms. Wang Xiaoxia and Mr. Lin Guoxian as to approximately 90.40%, 4.61% and 4.99%, respectively as at the Latest Practicable Date
"independent third party(ies)"	a person, persons, company or companies which is or are independent of, and not connected with (within the meaning under the Listing Rules), any directors, chief executive or substantial shareholders of our Company, any of its subsidiaries or any of their respective associate(s)
"International Offer Shares"	the 168,750,000 Shares initially offered for subscription pursuant to the International Offering, subject to the Over-allotment Option and reallocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus

"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters, as further described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering that are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around 13 December 2018 by our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the International Underwriters and our Company in respect of the International Offering, as further described in the sub-paragraph headed "International Underwriting Agreement" under the paragraph headed "Underwriting arrangements and expenses" under the section headed "Underwriting" in this prospectus
"Joint Bookrunners"	(i) China Everbright Securities (HK) Limited, a corporation registered under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO; and (ii) ABCI Capital Limited, a corporation registered under the SFO permitted to Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the joint bookrunners of the Global Offering
"Join Kong"	Join Kong (H.K.) Limited (津港(香港)有限公司), a company incorporated in Hong Kong with limited liability on 23 June 2010, an indirectly non-wholly-owned subsidiary of our Company, which was owned by our Company and Man Wah Investments Limited (敏華投資有限公司) through Brightwood Management Limited (顯駿管理有限公司) as to approximately 55.0% and 45.0%, respectively
"Joint Lead Managers"	(i) China Everbright Securities (HK) Limited, a corporation registered under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO; and (ii) ABCI Securities Company Limited, a corporation registered under the SFO permitted to Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the joint lead managers of the Global Offering

"k.m."	kilometre(s)
"Latest Practicable Date"	2 December 2018, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
"Listing"	listing of the Shares on the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or around 20 December 2018, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Loan Capitalisation"	the capitalisation of the Loan in an aggregate sum of HK$543,501,333.24 (together with the accrued interest up to the date of 31 October 2018) as full settlement by the issuance of 9,998 new Shares
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the Main Board of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company (as amended from time to time), approved by the written resolutions of the Shareholder(s) on 26 November 2018 and effective from the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"Million Cities BVI"	Million Cities Development Limited, a company incorporated in the BVI with limited liability on 4 August 2016, which was previously wholly-owned by Winnermax Management. As at the Latest Practicable Date, it is a wholly owned subsidiary of our Company
"Million Cities Corporate Management"	Huizhou Million Cities Corporate Management Company Limited (惠州萬城企業管理策劃有限公司), a company established in the PRC on 31 May 2018, which is wholly-owned by Million Cities WFOE as at the Latest Practicable Date
"Million Cities HK"	Million Cities (Int'l) Limited (萬城(國際)有限公司), a company incorporated in Hong Kong with limited liability on 29 May 2007, a wholly owned subsidiary of Million Cities BVI as at the Latest Practicable Date

"Million Cities WFOE"	Million Cities Construction (China) Company Limited* (萬城建設(中國)有限公司), a company established in the PRC on 15 December 2016, which is wholly owned by Million Cities HK as at the Latest Practicable Date
"MOF"	The Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	The Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Danny Wong"	Mr. Wong Ka Lun (黃家倫), our executive Director and Chief Operating Officer
"Mr. George Lau"	Mr. Lau Ka Keung (樓家強), our executive Director and Chief Executive Officer
"Mr. Lin Guoxian"	Mr. Lin Guoxian (林國賢), cousin of Mr. TC Wong, our executive Director and a connected person of our Group for the purpose of the Listing Rules
"Mr. Liu Weito"	Mr. Liu Weito (劉偉韜), a substantial shareholder of Huizhou Million Cities and a connected person of our Group for the purpose of the Listing Rules
"Mr. TC Wong"	Mr. Wong Ting Chung (王庭聰), cousin of Mr. Lin Guoxian, a non-executive Director, our Chairman and one of our Controlling Shareholders
"Ms. Wang Xiaoxia"	Ms. Wang Xiaoxia (王小霞), a substantial shareholder of Huizhou Million Cities and a connected person of our Group for the purpose of Listing Rules
"Nameson"	Nameson Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1982) and was owned by Happy Family Trust as to approximately 65.8% and Mr. TC Wong as to approximately 8.9% as at the Latest Practicable Date, a connected person of our Company
"Nameson Group"	collectively, Nameson and its subsidiaries
"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 (全國人民代表大會)

"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the section headed "Underwriting" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares, collectively, and where relevant, together with any additional Shares which may be issued 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 at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) pursuant to which our Company may be required to allot and issue up to 28,124,000 Shares at the Offer Price (representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocation in the International Offering, the details of which are described in the section headed "Underwriting" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	the People's Republic of China, except where the context requires otherwise, excluding Hong Kong, Macau and Taiwan
"PRC Legal Advisers"	Tian Yuan Law Firm
"PRD Economic Zone"	the Pearl River Delta Economic Zone, which contains Guangzhou, Shenzhen, Huizhou, Dongguan, Foshan, Zhongshan, Zhuhai, Jiangmen and Zhaoqing, and two special administrative regions, including Hong Kong and Macau
"Price Determination Agreement"	the agreement to be entered into by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around 13 December 2018 (Hong Kong time) on which the Price Determination Agreement is to be entered into, but in any event no later than 18 December 2018
"Qualified Institutional Buyers"	has the meaning given in Rule 144A under the US Securities Act
"Regulation S"	Regulation S under the US Securities Act

"Reorganisation"	refers to the reorganisation arrangement undergone by our Group in preparation for the Global Offering as described in the paragraph headed "Reorganisation" under the section headed "History and Reorganisation" in this prospectus
"RMB"	Renminbi, the official currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of our Company with a nominal value of HK$0.01 each, to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
"Shekou Construction"	Shenzhen City Shekou China Construction Industrial Limited* (深圳市蛇口中建實業有限公司), a company established in the PRC with limited liability on 27 November 1987, which is an independent third party as at the Latest Practicable Date
"Sole Global Coordinator", or "Stabilising Manager"	China Everbright Securities (HK) Limited, a corporation registered under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the sole global coordinator, one of the joint bookrunners, one of the joint lead managers and the stabilising manager of the Global Offering
"Sole Sponsor"	China Everbright Capital Limited, a corporation registered under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Global Offering
"sq.ft."	square feet

"sq.m."	square metres
"Stock Borrowing Agreement"	a stock borrowing agreement expected to be entered into between Fortune Speed and the Stabilising Manager (or its affiliate) on or around the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs in Hong Kong as approved by the SFC and as amended, supplemented or otherwise modified from time to time
"Tianjin Jianji	萬城建基置業(天津)有限公司 (Million Cities Jianji Real Estate (Tianjin) Company Limited*), a company established in the PRC with limited liability on 18 August 2010, an indirectly non-wholly-owned subsidiary of our Company, which was owned by our Company as to approximately 55.0% and Man Wah Investments Limited (敏華投資有限公司) through Brightwood Management Limited (顯駿管理有限公司) as to approximately 45.0%, respectively as at the Latest Practicable Date
"Track Record Period"	comprises the three years ended 31 December 2017 and the six months ended 30 June 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States" or "US"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933 (as amended from time to time)
"US$" or "US Dollar" or "USD"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax of the PRC

"**WHITE** Application Form(s)"	the form(s) of application for the Hong Kong Offer Shares for use by the public who requires such Hong Kong Offer Shares to be issued in an applicant's own name
"White Form eIPO"	applying for Hong Kong Offer Shares to be issued in your own name by submitting applications online through the designated website of the **White Form eIPO** Service Provider, **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Winnermax Holdings"	Winnermax Holdings Limited, a limited liability company incorporated in the BVI on 22 March 2006 and ultimately wholly owned by Happy Family Trust as at the Latest Practicable Date
"Winnermax Management"	Winnermax Management Limited, a limited liability company incorporated in the BVI on 12 March 2015 and ultimately wholly owned by Happy Family Trust. Winnermax Management is one of our Controlling Shareholders as at the Latest Practicable Date
"Wong's Family"	Mr. TC Wong, Mr. Wong Ting Kau (brother of Mr. TC Wong), Mr. Wong Ting Chun (brother of Mr. TC Wong), Mr. Wong Wai Wing Raymond (brother of Mr. TC Wong) and Ms. Wong Wai Ling (sister of Mr. TC Wong). Each of the members of the Wong's Family is one of our Controlling Shareholders
"**YELLOW** Application Form(s)"	the form(s) of application for the Hong Kong Offer Shares for use by the public who requires such Hong Kong Offer Shares to be deposited directly into CCASS

In this prospectus, the English translations of the official Chinese names of PRC laws or regulations, PRC government authorities, companies or other entities organised in the PRC or project names are furnished for identification purposes only. Should there be any inconsistency between the Chinese names and the English translations, the Chinese names shall prevail.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or approximation. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"average selling price" or "ASP"	average selling price
"building ownership certificate" or "real estate title certificate"	building ownership certificate issued by the competent authority of housing with respect to the ownership rights of buildings (房屋所有權證) or real estate title certificate issued by local real estate bureaus or competent authorities in the PRC (不動產權證), which has gradually replaced building ownership certificate since March 2015
"completion certificate(s)"	construction works completion inspection acceptance certificate/record issued by local construction bureaus or competent authorities in the PRC with respect to the completion of development projects (竣工驗收備案)
"construction contractor(s)"	general contractors and specialised contractors
"construction land planning permit(s)"	construction land planning permit issued by local urban and rural planning bureaus or competent authorities in the PRC (建設用地規劃許可證)
"construction works commencement permit(s)"	construction works commencement permit issued by local construction bureaus or competent authorities in the PRC (建築工程施工許可證)
"construction works planning permit(s)"	construction works planning permit issued by local urban and rural planning bureaus or competent authorities in the PRC (建設工程規劃許可證)
"development projects"	being all our development projects which (i) are held for future development; (ii) are under development; and (iii) have completed the development
"Development Regulations"	the Administrative Ordinance on Development and Management of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council and became effective on 20 July 1998 and amended on 8 January 2011 and 19 March 2018
"general contractor(s)"	general contractors who carry out construction works
"GFA"	gross floor area

"land bank"	an area which is held by our Group for future development and disposal, being an aggregate of (i) GFA unsold in respect of completed development projects; (ii) GFA under development in respect of development projects under development; and (iii) planned GFA in respect of development projects held for future development
"land grant contract"	a land use right grant contract (土地使用權出讓合同)
"land use rights certificate" or "real estate title certificate"	a certificate (or certificates as the case may be) of the right of a party to use a parcel of land (土地使用權證) and the real estate title certificate has gradually replaced land use rights certificate since March 2015
"LAT" or "land appreciation tax"	land appreciation tax of the PRC
"Ministry of Construction"	The Ministry of Construction of the PRC, the predecessor of MOHURD (中華人民共和國建設部)
"MLR"	The Ministry of Land and Resources of the PRC (中華人民共和國國土資源部), which will be incorporated into the Ministry of National Resources of the PRC (中華人民共和國自然資源部) in accordance with the institutional reform initiated in 2018
"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)
"mu"	mu (畝), a Chinese unit of measurement, equivalent to 6662/3 sq.m.
"pre-sale permit"	a pre-sale permit authorising a developer to start the pre-sale of a property under construction (商品房預售許可證)
"site area"	the total area of a land parcel with land use right certificate which has been or will be utilised for the development of our Group's development projects
"specialised contractors"	contractors who carry out construction works in relation to, among others, installation and utilities construction
"Urban Real Estate Law"	Law of the PRC on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of the NPC on 5 July 1994, became effective on 1 January 1995, as amended on 30 August 2007 and 27 August 2009 respectively

This prospectus contains forward-looking statements that state our Group's intention, belief, expectation or prediction for the future that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

— the industry regulatory environment as well as the industry outlook in general;

— the amount and nature of, and potential for, future development of our Group's business;

— our Group's business objectives and strategies;

— our Group's capital expenditure plans;

— our Group's operations and business prospects; and

— our Group's future plans.

The words "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. All statements (other than statements of historical facts included in this prospectus), including statements regarding our Group's strategy, plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements reflect our current view with respect to future events, but they are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risks factors as disclosed under the section headed "Risk factors" and elsewhere in this prospectus. One or more of these risks or uncertainties may materialise, or the underlying assumptions may prove to be incorrect. Although our Directors believe that our current views as reflected in those forward-looking statements based on currently available information are reasonable and that our Directors have exercised due care in expressing our views, including the forward-looking statements, in this prospectus, we can give no assurance that those views will prove to be correct, and the investors are cautioned not to place undue reliance on such statements.

Subject to the requirements of the Listing Rules or the applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and uncertainties described below before making any investment decision in relation to the Global Offering. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operation, financial condition or the trading price of our Shares, and could cause you to lose all or part of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR BUSINESS

Our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly in the Greater Bay Area.

Most of our development projects, including completed development projects, development projects under development and development projects for future development are located in Huizhou in Guangdong Province, the PRC, which is in the Greater Bay Area. As at 30 September 2018, we held 17 development projects which were either completed or were under various stages of development, or for future development in the PRC. Since we expect to continue to deepen our market presence in the Greater Bay Area, our business is expected to continue to be heavily dependent on the performance of the property markets in such area. The property market may be affected by various factors in the local, regional, national and global markets, many of which are beyond our control. These factors include economic and financial condition, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital.

Overall demand for private residential properties in the PRC, particularly in provincial capitals and regional centres, has grown rapidly in recent years. However, the PRC property market has also experienced fluctuations in property prices during the same period. There have been increasing concerns over housing affordability and the sustainability of the growth of the PRC property market. In addition, demand for properties in the PRC will continue to be affected by the macro-economic control measures implemented by the PRC government. Any material property market downturn in the PRC, generally or in cities in which we have or expect to have operations and any over-supply of properties or any potential decline in demand for or prices of properties in those cities may materially and adversely affect our business, financial condition and results of operation.

We are subject to extensive government regulations and control and are particularly susceptible to adverse changes in policies relating to the PRC property market and in local policies in the regions in which we operate.

Our business is subject to extensive governmental regulations and control. In particular, we are sensitive to policy changes in the PRC property market. The PRC government exerts considerable direct and indirect influence on the development of the PRC property market by the implementation of industry policies and other economic measures, such as control over the supply of land for property development. The PRC government may restrict or reduce the land supply, raise the benchmark interest rates for borrowings, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investments in the PRC property market.

There has been a series of regulations and policies to slow down the property market and curb the rally in property prices, as well as to dampen property speculation, by imposing purchase restriction on residential properties in the PRC. For example, there are certain restrictions imposed by the relevant PRC authorities in respect of the (i) number of properties that could be purchased by local residential families without household registration and local families with household registration in Tianjin; and (ii) fulfilment of certain requirements for purchase of properties by local families without household registration in Tianjin. For further details, please refer to the section headed “Regulatory overview” in this prospectus. Although our sale of properties in other areas such as Huizhou in Guangdong Province and Zhumadian in Henan Province were not subject to any purchase restriction policies imposed by the relevant PRC authorities as at the Latest Practicable Date, with certain purchase restrictions imposed by the relevant PRC authorities in Tianjin as at the Latest Practicable Date, the sale of properties of our development projects in Tianjin may be materially and adversely affected in the future and it is uncertain that whether there would be any other purchase restriction policies in other locations imposed by the relevant PRC authorities in the future that may materially and adversely affect our sale of properties. Should there be such purchase restriction policies being imposed in the future, these policies may affect the transaction volume for properties which may limit our ability to obtain financing, acquire land for future developments, sell our properties at a profit or generate sufficient operating cash flow from contracted sales.

We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. It is also impossible to ascertain the extent of the impact of any such measures or to accurately estimate our sales volume and revenue had such measures not been introduced. If we fail to adapt our operations to new policies, regulations or measures that may come into effect from time to time with respect to the property industry, or if our marketing and pricing strategies are ineffective in promoting our contracted sales in response to such changes, such policy and market condition changes may affect our contracted sales, result in the delay of our pre-sale schedules, or cause us to lower our average selling price and/or incur additional costs, in which case our operating cash flows, gross profit margins, business, results of operation, financial condition and prospects may be materially and adversely affected.

Our results of operation may vary significantly from period to period and such fluctuations make it difficult to predict our future performance and price of our Shares.

We derive a majority of our revenue from the sale of properties which were either developed or acquired by us. Our results of operation may fluctuate in the future due to a combination of factors, including the overall schedule and development cycle of our development projects, the level of acceptance of our properties by prospective customers, the timing of the sale of properties, our revenue recognition policies and any changes in costs and expenses, such as land acquisition and construction costs. Furthermore, according to our accounting policy for revenue recognition, our revenue arising from the sale of properties is recognised either (i) upon the point in time when our customers has the ability to direct the use of the properties and obtain substantially all of the benefits of such properties, being the time of delivery of properties; or (ii) as performance obligations are satisfied over time in accordance with the progress when the properties sold have no alternative use to our Group due to contractual arrangements and we have an enforceable right to payment from the customers for the performance complete to date. As a result of the time differences between cash received from pre-sales and revenue recognition, the amount and growth rate of our revenue from sale of properties, and contract liability may fluctuate from period to period.

Our revenue was approximately RMB58.5 million, RMB894.8 million, RMB973.1 million and RMB263.0 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. The movements in our revenue were primarily due to the fluctuations in the total GFA recognised and the average selling price recognised during the Track Record Period. Our gross profit margin was approximately 26.7%, 25.3%, 21.1% and 46.8% for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. Our gross profit margin has and will continue to be affected by the change in the product mix delivered during the relevant period as well as land costs and development costs. Any increase in construction and land costs in the future could reduce our gross profit margins to the extent that we are unable to pass these increased costs on to our customers and therefore, could materially and adversely affect our results of operation, financial condition and prospects.

We may not be able to acquire land parcels at desirable locations that are suitable for our future development at commercially acceptable prices and if that happens, our business, financial condition, results of operation as well as prospects may be materially and adversely affected.

We derive a majority of our revenue from the sale of properties which were either developed or acquired by us. Based on our current development plans, we believe we have sufficient land bank for property development for the next several years. As at 30 September 2018, our properties held for future development include Dragon Palace (聚瓏灣) Phase 2 with a planned GFA of approximately 89,081.00 sq.m., Million Cities International (萬城國際) Phases 4 and 5 with a planned GFA of approximately 240,558.00 sq.m., Million Cities Royal Court (萬城君滙花園) with a planned GFA of approximately 150,475.00 sq.m., Million Cities Tonghu Centre (萬城潼湖中心) with a planned GFA of approximately 378,642.00 sq.m. and Dragon Terrace (玖龍台) Phase 2 with a planned GFA of approximately 222,299.00 sq.m..

We believe that the sustainable growth and success of our business to a large extent depend on our ability to continue acquiring additional land bank at desirable locations at commercially reasonable prices that are suitable for the residential and commercial/mixed-use development. Our ability to acquire land depends on a variety of factors that are beyond our control, such as overall economic conditions, availability of land parcels provided by the PRC government, our ability to identify and acquire land parcels suitable for development and competition of property development on such land parcels. Historically, we built up land bank through participation in the listings-for-sale organised by local governments and through acquisitions or cooperation with business partners. The availability and price of land sold at listings-for-sale processes depend on factors beyond our control, including government's land policies and the competitiveness of our peers in the market. The PRC government and relevant local authorities control the supply and price of new land parcels and approve their planning and use. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. In addition, it is impossible to ascertain the availability of land in the secondary market or whether the terms of acquisition/cooperation with land owners are commercially acceptable to us. To the extent that we are unable to acquire suitable land parcels at commercially acceptable prices for our future development in a timely manner or at prices that enable reasonable economic returns to be realised by us, or if we are unable to leverage our experience or to understand the property market in other PRC provinces or cities into which we expand our business, or if there is any significant decrease in the price of a land parcel subsequent to our acquisition, our business, financial condition, results of operation and prospects may be materially and adversely affected.

We engage the services of external third party construction contractors and suppliers in our development project construction and as a result, the timely delivery of our development projects that are up to our specified quality standards to a large extent depends on the quality of the work of such construction contractors and suppliers.

We engage external third-party construction contractors, supervisory companies, other service providers and suppliers to carry out construction work, supply construction materials and perform related services such as design for us. We select general contractors for our development projects through public tenders and based on, among others, (i) qualifications; (ii) resources, including the availability of manpower; (iii) experience and technical expertise in similar construction development projects; (iv) reputation and quality of work; and (v) proposed commercial terms, in particular the fee quotation. We also engage specialised contractors through tendering process, during which we take into consideration their track record performance, work quality, proposed delivery schedules and costs in our selection process. We cannot assure you that the services rendered or materials supplied by our existing or new general contractors, specialised contractors or suppliers will always be satisfactory or meet our quality requirements. Our general contractors, specialised contractors or suppliers may fail to provide satisfactory services that meet our quality standards or within the timelines required by us, which may lead to a delay in completion of our development projects. We may incur additional costs in respect of remedial actions to be taken (including the replacement of such general contractors, specialised contractors or suppliers) as well as potential compensation payable to our customers in the event of unsatisfactory quality or delay in completion of our development projects, which could adversely affect the cost structure and development schedule of our development projects and could have a negative impact on our reputation, credibility, financial condition and business operations. In addition, as we expand our business into other regions in the PRC, there may be a shortage of general contractors, specialised contractors or suppliers that meet our quality standards and other selection criteria in such locations and we may not be able to engage a sufficient number of high-quality general contractors, specialised contractors or suppliers in a timely manner, which may adversely affect the construction schedules and development costs of our development projects.

We had negative operating cash flow for the year ended 31 December 2015 and the year ended 31 December 2017, and a negative total cash flow for the year ended 31 December 2017.

We recorded negative operating cash flow of approximately RMB303.0 million for the year ended 31 December 2015 and approximately RMB225.0 million for the year ended 31 December 2017. Our negative net cash flow from operating activities for the year ended 31 December 2015 was primarily attributable to the increase in inventories and other contract costs of approximately RMB573.6 million. For the year ended 31 December 2017, our negative net cash flow from operating activities was primarily attributable to the decrease in contract liabilities of approximately RMB659.1 million. We also recorded a negative total cash flow for the year ended 31 December 2017 of approximately RMB11.1 million, which was primarily attributable to (i) net cash outflow from operating activities of approximately RMB225.0 million; and (ii) net cash outflow from investing activities of approximately RMB132.4 million. Please refer to the sub-paragraph headed "Cash flows" under the paragraph headed "Liquidity and capital resources" under the section headed "Financial information" in this prospectus for further details.

We cannot assure you that we will not experience negative operating cash flow and/or negative total cash flow in the future again. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. For example, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade and bills payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operation may be materially and adversely affected. Any negative total cash flow in future could affect not only our operations, but also our overall financial condition.

We may not be able to identify and respond to changes in the local market needs and preferences in respect of development project design in a timely manner.

Our development project design philosophy is to introduce customer-oriented designs that best suit the needs of our customers. We pay significant attention to details so that the design of our development projects will bring increased convenience and value-added experience to our customers based on their lifestyle and habits. In order to achieve continued and sustainable success in our business, we must be able to anticipate, identify and respond promptly to any changes to the needs of our customers. The success of our business is largely dependent on our ability to anticipate future needs and preferences of residents in the regions where we have development projects, and subsequently our ability to introduce customer-oriented designs that best suit the needs of our customers in a timely manner.

If we fail to accurately anticipate needs of our customers, or fail to anticipate accurately any shift in customers' preferences, our sales volume could be adversely affected and our selling prices and profits could be reduced, which may, in turn, have a material adverse effect on our business, financial condition, results of operation and growth prospects.

We may not be successful in managing our growth and expansion in the Greater Bay Area and other locations in the PRC which we consider with potential growth in the PRC.

Since our establishment, we have focused primarily on the development of properties in Huizhou in Guangdong Province and other locations in the PRC which we consider with potential growth, such as Tianjin and Zhumadian in Henan Province. We plan to explore new opportunities in other places in the Greater Bay Area and other locations in the PRC which we consider with potential growth.

We may not be able to leverage our experience in Huizhou in Guangdong Province and Tianjin to expand into other places in the Greater Bay Area and other locations in the PRC which we consider with potential growth. Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province may differ from other places in the Greater Bay Area and other locations in the PRC which we consider with potential growth in terms of the level of economic development, regulatory practice, level of our familiarity with local construction contractors, business practices and customs, and customer tastes, behaviour and preferences. Accordingly, our experience in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province may not be transferable to, or relevant for, other places in the Greater Bay Area and other locations in the PRC which we consider with potential growth. In addition, expanding our business into other places in the Greater Bay Area and other locations in the PRC which we consider with potential growth may entail competition with local or nationwide developers who have an established local presence, are more familiar with local regulatory and business practices and customs and have stronger relationships with local construction contractors, all of which may give them a competitive advantage over us. Expanding into other places in the Greater Bay Area and other locations in the PRC which we consider with potential growth also requires a significant amount of capital and management resources. We will need to manage the growth in our workforce to match the expansion of our business.

As we may face challenges not previously encountered in our business expansion, we may fail to recognise or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage our past experience to meet challenges encountered in other places in the Greater Bay Area and other locations in the PRC which we consider with potential growth. For example, we may have difficulties in accurately predicting market demand for properties in other places in the Greater Bay Area and other locations in the PRC which we consider with potential growth. Any failure to successfully leverage our experience or to sufficiently understand the property market in other places in the Greater Bay Area and other locations with potential growth in the PRC may have a material adverse effect on our business, financial condition and results of operation. Further, our profitability is likely to decrease in respect of our future development in other places in the Greater Bay Area and other locations in the PRC which we consider with potential growth which has significant lower average selling price than properties in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province.

We may not have adequate financing to fund our property developments, and such capital resources may not be available on commercially reasonable terms, or at all, and if that happens, our business, financial condition, results of operation and prospects could be materially and adversely affected.

Property development is capital-intensive and we expect to continue to incur a high level of capital expenditures for project development in the foreseeable future. During the Track Record Period, we financed our development projects primarily through (i) bank borrowings; (ii) capital contributions from our Shareholders; (iii) proceeds from sale and pre-sale of our properties; and (iv) loans from our related parties. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including, among other things:

— our future results of operation, financial condition and cash flows;

— the condition of the international and domestic financial markets and financing availability;

— requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;

— changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and

— changes in the PRC policies regarding regulation and control of the property market.

In respect of our financing costs, for the three years ended 31 December 2017 and the six months ended 30 June 2018, our total interest on bank borrowings were approximately RMB3.5 million, RMB0.7 million, RMB5.1 million and RMB8.5 million, respectively. Any increase in interest rates on our borrowings may have a material adverse effect on our business, financial condition and results of operation.

Please refer to sub-sub-paragraph headed "Sensitivity analysis" under the sub-paragraph headed "Interest rate risk" under the paragraph headed "Market risks" under the section headed "Financial information" in this prospectus for the effect in changes in interest rates, with all other variables held constant, on our Group's profit/(loss) after tax and total equity attributable to equity shareholders of our Company.

We cannot assure you that the PRC government will not introduce measures or initiatives that limit our access to capital and methods we finance our development projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all and if that happens, our business, financial condition, results of operation and prospects could be materially and adversely affected.

Furthermore, we derive a majority of our revenue and cash flow from sale and pre-sale of properties which were either developed or acquired by us. Some purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchasers and affordability of residential properties. We cannot assure you that the PRC government and commercial banks will not increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. We cannot assure you that the commercial banks will approve potential property purchasers' applications for mortgage loans in a timely manner, or at all. Our sale and pre-sale may be materially and adversely affected if mortgage financing becomes more costly or more difficult to obtain.

In addition, we relied upon fundings from our Controlling Shareholders for acquisition of land during the Track Record Period. For example, as stated in the consolidated statements of financial position, during the Track Record Period, the amounts due to our related party, Mr. TC Wong (who is one of our Controlling Shareholders, Chairman and non-executive Director), amounted to approximately RMB431.9 million, RMB467.7 million, RMB512.1 million and RMB552.8 million as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively. For information of our related parties transactions, please refer to the section headed "Related party transactions" under the section headed "Financial information" in this prospectus.

The amounts due to our Controlling Shareholders during the Track Record Period were interest free. If we decide to raise additional funds through borrowings from independent third parties after Listing instead of our Controlling Shareholders, our interest and debt repayment obligations will increase and we may be subject to additional covenants, which could restrict our ability to utilise cash flow from operation. Any increases in costs on our borrowings may have a material adverse effect on our business, results of operation and financial condition.

Failure to obtain, abide by, or material delays in obtaining, requisite certificates, permits, approvals or licences from the PRC government may adversely affect our ability in carrying out our property development operations.

The property industry in the PRC is heavily regulated and property developers must abide by various laws and regulations, including rules promulgated by national and local governments to enforce these laws and regulations. Like other property developers in China, we must apply to the relevant government authorities to obtain (and renew those relating to on-going operations) various licences, permits, certificates and approvals to engage in property development operations, including but not limited to, qualification certificates for real property development enterprise, land use rights certificates, construction works commencement permits, construction works planning permits, construction land planning permits, pre-sale permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate, license or permit. We cannot assure you that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. In the event that we fail to obtain, renew or abide by, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major development projects, we may not be able to continue with our development plans, and our business, financial condition and results of operation may be materially adversely affected.

The total GFA of some of our development projects may exceed the original permitted GFA and the excess GFA is subject to governmental approval and will require us to pay additional land premium.

The permitted total GFA for a particular development project is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. According to the regulations of many local governments, if constructed total GFA unreasonably exceeds the permitted total GFA, or if the completed development project unreasonably contains areas that authorities believe do not conform with the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for our development projects; and, consequently, we would not be able to deliver individual units to purchasers or to recognise the related pre-sale proceeds as revenue. Moreover, excess GFA requires additional governmental approval, and the payment of additional land premium. If the total completed GFA exceeds permitted total GFA materially and subsequently causes delays in the delivery of our properties, we may also be subject to liability to purchasers under our sale and purchase agreements. We cannot assure you that constructed total GFA for each of our existing development projects under development or any future development projects will not exceed permitted total GFA, or that the authorities will determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we have sufficient funding to pay any required additional land premium or take remedial action that may be required in a timely manner, or at all. Any of these factors may materially and adversely affect our reputation, business, financial condition and results of operation.

We may not be able to complete or deliver our development projects according to our schedule and may face substantial development risks before we realise any benefits from a development project and if this happens, our business, results of operation and financial condition may be materially and adversely affected.

Development projects require substantial capital expenditure prior to and during the construction period for, among other things, land acquisition and construction. The construction of development projects may take over a year or longer before a positive net cash flow may be generated through pre-sale, sale, leasing or rentals. As a result, our cash flows and results of operation may be affected by any changes to our project development schedules. The schedules of our development projects depend on a number of factors, including the performance and efficiency of our general contractors, specialised contractors and/or suppliers, and our ability to finance the construction.

Other specific factors that could adversely affect our development projects schedules include without limitation:

— natural catastrophes and adverse weather conditions;

— changes in market conditions, economic downturns and decrease in business and consumer sentiments in general;

— failure to obtain necessary licences, permits and approvals from relevant governmental authorities in a timely manner;

— availability and cost of financing;

— changes in relevant regulations, government policies and government planning;

— shortages of materials, equipment, construction contractors and skilled labour;

— labour disputes; and

— construction accidents.

Construction delays or failure to complete the construction of a development project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead to loss of or delay in recognising revenues and lower returns.

If a development project is not completed on time, the purchasers of pre-sold units of the development project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sale agreements and have the purchase price refunded, in addition to claim damages against us.

We cannot assure you that we will not experience any significant delays in completion or delivery of our development projects in the future or that we will not be subject to any liabilities for any such delays. Depending on the number of affected purchasers, this may materially and adversely affect our business, results of operation and financial position.

We rely on our trade name and trademarks and any infringement or inappropriate use of our trade name or trademarks may be detrimental to our reputation and profitability.

We believe that our trade name and trademarks form an integral basis for our brand recognition and are important to our business. As at the Latest Practicable Date, we had registered 11 trademarks in different classes, including "萬城", "万城" and "Million City", in the PRC. We were the registered owner of seven domain names. These intellectual properties are material to our business. We are not aware of any violations, infringements or unauthorised uses of our trade name or trademarks that have had a material adverse effect on our financial condition and results of operation. We cannot assure you that our trade name or trademarks will not be the subject of any infringement by third parties in the future. Any unauthorised or inappropriate use of our trade name or trademarks could harm our market image and reputation, which may materially and adversely affect our financial condition and results of operation. Brand recognition is based largely on customer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that lower consumer trust. Any litigation or dispute in relation to our trade name or trademarks could result in substantial costs and the diversion of resources and may materially and adversely affect our business and results of operation.

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

We are a holding company incorporated in the Cayman Islands and we conduct our business operations primarily through our PRC subsidiaries. Our ability to make dividend payments and other distributions in cash, pay expenses, service indebtedness incurred and finance the needs of other subsidiaries depends upon the receipt of dividends, distributions from our PRC subsidiaries. Therefore, we may face financial difficulties should such entities incur debt or losses affecting their ability to pay us dividends or make other distributions to us.

The PRC laws and regulations require that dividend be paid out of distributable profits, which are net profits of our PRC subsidiaries as determined in accordance with PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that our PRC subsidiaries are required to make. Moreover, because the calculation of distributable profits under PRC GAAP may be different from the calculation under HKFRS 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 HKFRS. Accordingly, we may not receive sufficient distributions from our PRC subsidiaries. Failure by our operating subsidiaries in PRC to pay dividends to us could have an adverse effect on our cash flow and our ability to make dividends to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

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

We face risks related to pre-sale 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 or completed.

PRC law allows property developers to pre-sell properties prior to their completion upon satisfaction of certain requirements. For further details regarding the PRC law in relation to pre-sale of properties in the PRC, please refer to the sub-paragraph head "Pre-sale of commodity properties" under the paragraph headed "Real estate transactions" under the section headed "Regulatory overview" in this prospectus. We depend on cash flows from the pre-sale of properties as an important source of funding for our development 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 national or local governments will not adopt any limitation, restriction or abolishment of 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 operation.

Fluctuations in the price of construction materials and labour costs could affect construction costs and could adversely affect our business and financial performance.

The cost of construction materials, such as steel and concrete, and labour costs may fluctuate from period to period and may in turn affect the costs we have to pay to our construction contractors for the construction of our development projects. During the Track Record Period, development costs accounted for approximately 94.4%, 94.0%, 78.1% and 85.7% of our cost of sales, respectively. We generally do not enter into framework contracts to anticipate fluctuation in raw materials prices, nor do we include such provisions in general construction contracts. As such, we face risks arising from price fluctuations of construction materials. Although we had not been significantly affected by the fluctuations in the prices of raw materials during the Track Record Period, any material increase in the cost of any significant construction materials may increase the cost of our construction contractors and may in turn increase the construction contracting fees charged to us, resulting in an increase in our development costs (which constitute the largest component of our cost of sales). If we fail to pass any or all of these increased costs to our customers, our profitability and financial condition may be adversely affected.

Please refer to the sub-paragraph headed "Cost of sales" under the paragraph headed "Consolidated statements of profit or loss" under the section headed "Financial information" in this prospectus for a sensitivity analysis of hypothetical fluctuations of our average selling price of our properties sold and recognised, and our development costs, with other assumptions held constant, and their effect on our revenue and profit (if any) for the Track Record Period.

Our actual development costs of a development project may deviate from our initial estimations due to fluctuations in cost, which could in turn have a material adverse effect on our business, results of operation and financial condition.

We estimate the relevant total development costs which comprise, among other things, land costs, construction and other development costs, capitalised borrowing costs, etc. at the outset of every development project. During the Track Record Period, our development costs accounted for approximately 94.4%, 94.0%, 78.1% and 85.7% of our cost of sales respectively. While we have operating procedures to monitor the progress of development works to minimise deviation from the pre-approved budgets, our total development costs are subject to numerous factors which may be beyond our control.

Our construction costs have been affected by rising construction and installation costs and labour costs in the PRC in recent years, and we expect a continuous upward movement in construction and installation costs in the PRC in the future. Furthermore, the PRC property market is significantly affected by policy and regulatory measures introduced by the PRC government from time to time which may affect various aspects of our property development operations, including but not limited to our cost of financing as well as the schedule of development of our development projects, which in turn may result in deviation from our initial estimated development costs. If the actual development costs of our development projects deviate materially from our initial estimation, our business, results of operation and financial condition may be materially and adversely affected.

Our results of operation, financial condition and prospects may be adversely affected by impairment loss for properties in development projects under development and properties for sale in completed development projects.

The real estate market volatility may subject us to risks in connection with possible impairment loss for properties in development projects under development and properties for sale in completed development projects, if we fail to complete the construction and sell the properties in time at our desired prices. Impairment loss may arise when the carrying value of a property exceeds its recoverable amount. For the three years ended 31 December 2017 and the six months ended 30 June 2018, no impairment losses for properties in development projects under development and properties for sale in completed development projects were recognised. However, we cannot assure you that we may not incur impairment losses, if any or at similar level, during adverse market conditions in the future. If we incur such impairment losses, our results of operation, financial condition and prospects may be adversely affected.

Our property development business may be subject to customer claims.

Under the Development Regulations, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. We receive quality warranties from our construction contractors with respect to our development projects to cover claims that may be brought against us under our warranties.

In addition, we may be subject to other types of customer claims from time to time during our ordinary course of business, such as claims in relation to the delay in delivery of property title documents. Purchasers shall apply for the relevant individual building ownership certificates and property developers, including us, are required to assist the purchasers in submitting the relevant documentary evidence within a stipulated period after delivery of the properties, for the government authorities' review and the issuance of the individual building ownership certificates regarding the properties purchased. Delays by the government authorities in reviewing the application and granting approval and certain other factors may affect timely delivery of the general and individual building ownership certificates. We may not be able to submit the relevant documents for the government authorities' review in time which could lead to delay in delivery of building ownership certificates and which may result in penalties and, in the case of a prolonged delay, the purchaser's demand for return of property or compensation. If we become liable to a significant number of purchasers for such delay, our business, financial condition and results of operation may be materially and adversely affected.

We cannot assure you that we will not face any significant customer claims in the future, which may result in significant expenses to resolve such claims. If we delay in remedying the related defects, our reputation may be harmed and our business, financial condition and results of operation may be adversely affected. Furthermore, although we receive quality warranties from our construction contractors, we may not be able to fully cover our liabilities by enforcing such quality warranties or at all, and the money retained by us from our construction contractors to cover our payment obligations under the quality warranties may also be insufficient, which could further increase our liabilities under such customer claims.

We guarantee the mortgage loans of our customers from time to time and may be liable to the mortgagee banks if our customers default on their mortgage payments.

We derive the substantial portion of our revenue from sale of our properties and certain of our purchasers apply for bank borrowings and mortgages to fund their purchases. Therefore, variations of credit availability and cost of credit to our customers may impact the purchasing power of our purchasers, and would affect our financial condition and results of operation. In accordance with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Typically, we guarantee the full value of mortgages loans taken out by purchasers, as well as accrued interest and penalties for defaults in mortgage payments, and these guarantees are generally released upon the issuance of the relevant real estate title certificate and the registration of the mortgage in favour of the mortgage bank. If a customer defaults on payment of its mortgage, we may be required to repurchase the underlying property by paying off such mortgage. If we fail to do so, the mortgagee bank may auction off the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the credit evaluation conducted by the mortgagee banks on such customers. These are contingent liabilities not reflected on our balance sheets.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, our outstanding guarantees of the purchaser mortgage loans of our customers amounted to approximately RMB138.5 million, RMB551.3 million, RMB376.3 million and RMB107.7 million, respectively. If a significant amount of our guarantees is called upon at the same time or in close succession, if there is a material depreciation in the market value of the relevant properties, or if we cannot resell such properties due to unfavourable market conditions or for other reasons, our financial condition and results of operation may be materially and adversely affected.

We are exposed to credit risk of our customers and failure to collect our trade debtors in a timely manner may affect our financial position, profitability and cash flow.

We are subject to credit risk of our customers and our profitability and cashflow are dependent on our receipt of timely payments from our customers. If there is any delay in payment by our customers, our profitability, working capital and cash flow may be adversely affected. There is no assurance that we will be able to collect all or any of our trade debtors from our customers in a timely manner, or at all. In the event that the settlements from our customers are not made on a timely manner, the financial position, profitability and cash flow of our Group may be adversely and materially affected.

The appraised value of our properties may be different from their actual realisable value and are subject to change.

The appraised value of our properties as contained in Appendix III to this prospectus are based on multiple assumptions that include elements of subjectivity and uncertainty.

If any of the assumptions used by Colliers in reaching the appraised value of our properties will prove to be inaccurate, the appraised value of our properties may materially differ from realisable value. Therefore, the appraised value should not be taken as their actual realisable value or a forecast of their realisable value. Unforeseeable changes to the development of our development projects as well as national and local economic conditions may affect the value of the properties we hold.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations which could adversely affect our financial results.

In accordance with PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, properties and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the properties. For the three years ended 31 December 2017 and the six months ended 30 June 2018, the approximate amount of LAT we provided was approximately RMB9.7 million, RMB7.4 million, RMB32.9 million and RMB32.6 million, respectively. LAT obligations must be settled with the relevant tax bureaus within a specified time frame after completion of a development project.

We estimate and make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations when the corresponding revenue is required in accordance with the requirements set out in the relevant PRC tax laws and regulations. As some of our development projects are developed in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon completion of the development projects. However, given the time gap between the point at which we make provision for the LAT and completion of the relevant development project, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. Hence, our LAT expenses recorded for a particular period may require subsequent adjustments. If we substantially underestimate LAT for a particular period, a payment of the actual LAT assessed and levied on us by the tax authorities could adversely affect our results of operation for a subsequent period.

Furthermore, certain notices issued by the PRC government relating to the settlement of LAT allow provincial tax authorities to formulate their own implementation rules according to the local situation. If the implementation rules promulgated in the cities or provinces in which our development projects are located require us to settle all unpaid LAT at the same time, or impose other conditions, our business, results of operation and financial condition may be materially and adversely affected.

If we were unable to successfully retain the services of our current key personnel or hire, train and retain senior executives and other skilled employees, our ability to develop and successfully market our properties could be harmed.

The growth and success of our business has depended significantly on certain members of our senior management, in particular, Mr. TC Wong, our non-executive Director and Chairman, Mr. George Lau, our executive Director and Chief Executive Officer, Mr. Danny Wong, our executive Director and Chief Operating Officer, Ms. Lau Pui Kwan, our executive Director and Finance Director, and Mr. Lin Guoxian, our executive Director. For detailed biography of our Directors and senior management, please refer to the section headed "Directors, senior management and employees" in this prospectus. If we were to lose the services of each of Mr. TC Wong, Mr. George Lau, Mr. Danny Wong, Ms. Lau Pui Kwan or Mr. Lin Guoxian or any other of our senior management for any reason, we may not be able to find suitable replacements for them. As competition in the PRC for experienced senior management and key personnel in property development is intense and the pool of qualified candidates is limited, we may not be able to retain the services of key personnel, or hire, train and retain high-quality senior executives or other skilled employees in the future. In addition, if any Director, any member of our senior management team or any of our other key personnel were to join a competitor or carry on a competing business, we may lose key professionals and staff members. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified personnel. If we were unable to successfully retain the services of our current key personnel and hire, train and retain senior executives and other skilled employees, our ability to develop and successfully market our products may be harmed and our business and prospects may be adversely affected.

If our third-party business partners fail to manage our joint venture and associate adequately, our business, results of operation and financial condition may be materially and adversely affected.

It is our strategies to (i) focus on developing the existing land bank and acquiring development projects in regions where our existing land bank situated and locations in the PRC with potential growth; (ii) expand our operation in other parts of the PRC in which we currently do not have a presence with our diversified land acquisition strategies; and (iii) expand the diversity of our properties to be developed, including the development of residential properties, integrated residential properties and commercial properties. To facilitate our business expansion, diversify our business risks and maintain flexibility, other than conducting our business through our wholly-owned subsidiaries (i.e. Huizhou Cheer Happy and Huizhou China Field), we have been collaborating with third-party business partners in different ways by holding our development projects through non-wholly-owned subsidiaries (i.e. Huizhou Million Cities, Tianjin Jianji and Huizhou Yuefu), joint venture (i.e. Huizhou Well Kong) and associate (i.e. Henan Julong), depending on the relevant circumstances of the development projects.

Our level of participation in the day-to-day operation and equity holdings in the project companies depends on various factors, including (i) the respective investment requirements; (ii) the availability of land; (iii) the available resources of our Group and our third-party business partners at the relevant time. In particular, we have less control and involvement in the day-to-day operation in our joint venture and associate. In respect of our joint venture, we are only responsible for providing capital to Huizhou Well Kong and monitoring development project finance and cashflow, while in respect of our associate, we are only responsible for providing capital to Henan Julong. For further details, please refer to the sub-paragraph headed "Third-party business partners of our Group" under the paragraph headed "Our development projects" under the section headed "Business" in this prospectus.

The growth and success of our business has depended significantly on our management, in particular our cost control capability, over the project companies. With less control over the management and the day-to-day operation involvement in our joint venture and associate, we cannot assure that the management over our joint venture and associate will be carried out adequately. If our third-party business partners fail to manage our joint venture and associate adequately, our business, results of operation and financial condition may be materially and adversely affected.

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of laws and regulations concerning environmental protection. Environmental protection laws can prohibit or severely restrict property development activities in environmentally sensitive regions or areas. Compliance with environmental protection laws and regulations may result in delays and may cause us to incur substantial compliance and other costs. Construction delays or failure to complete the construction of a development project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead to loss of or delay in recognising revenues, lower returns, as well as cause liabilities for breach of contract. If a development project is not completed on time, the purchasers of pre-sold units may be entitled to compensation for late delivery or termination of the pre-sale agreements and claim for damages against us.

We cannot assure you that we will not experience any such delays in the future or that we will not be subject to any liabilities for any such delays. Liabilities arising from any delays in the completion or delivery of our properties may have a material adverse effect on our business, results of operation and financial condition.

As required by PRC laws and regulations, development projects with a GFA in excess of 50,000 sq.m. or in environmentally sensitive regions or areas are required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction. For other development projects, we are required to file the environmental impact registration form for approval. If we fail to meet such requirements, the local authorities may issue orders to terminate our construction activities and may impose a penalty in the range of RMB50,000 to RMB200,000. Upon completion of construction, we are required to apply for environment protection acceptance check for completed development projects. It is possible that the environmental impact assessment documents submitted may not reveal all environmental liabilities or the extent of their impact, and we may not be aware of all material environmental liabilities. If any portion of a development project is found to be non-compliant with relevant environmental standards, the relevant authorities may suspend our operations at that development project as well as impose fines and penalties which may adversely affect our results of operation and financial condition.

We may be involved in legal and other disputes from time to time arising from our operations, including any disputes with our general contractors, specialised contractors, suppliers or property purchasers or involving land use rights. We may face significant liabilities as a result of such legal and other disputes.

We may from time to time be involved in disputes with various parties involved in the development and the sale of our properties, including our general contractors, specialised contractors, suppliers, business partners and purchasers or in matters that involve our land use rights. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention from our core business activities. Purchasers of our properties may take legal action against us if we are alleged or found to have breached any representation or warranty provided in pre-sale agreements or sale and purchase agreements. In addition, we may encounter compliance issues with regulatory bodies in the course of our operations, and we may face administrative proceedings and potentially unfavourable decisions that may result in liabilities and cause delays to our property developments. Furthermore, we may be involved in disputes with our general contractors, specialised contractors or suppliers. We may be involved in other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition, results of operation or cash flows.

We may not have adequate insurance coverage to cover our potential liabilities or losses and as a result our business, results of operation and financial condition may be materially and adversely affected.

We face various risks in connection with our businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, in line with general industry practice in the PRC, we generally do not maintain insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group. Please refer to the paragraph headed "Insurance" under the section headed "Business" in this prospectus for further information. In addition, there are certain losses for which insurance is not available on commercially reasonable terms, such as losses suffered due to earthquake, war, civil unrest and certain other events of force majeure. We do not carry insurance to cover such losses as consistent with general business and industry practices. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our business, results of operation and financial condition may be materially and adversely affected.

Investment in real properties is relatively illiquid, and we may not be able to sell such investment properties at prices or on terms satisfactory to us, or at all.

In general, investment in real properties is relatively illiquid compared with other forms of investment. We may need to dispose of certain investment properties in the event of changing economic, financial and investment conditions. For the year ended 31 December 2015, we recorded a net realised gain of approximately RMB31.4 million by disposal of an investment property to an independent third party and such net realised gain is non-recurring in nature. However, we cannot assure you that we will be able to sell our other investment properties at competitive prices or on terms satisfactory to us, or at all. If we are unable to sell investment properties to generate sufficient cash in the event of adverse change in economic, financial and investment conditions, our business, cash flow, results of operation and financial condition may be materially and adversely affected.

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

According to the PRC laws and regulations, new buildings constructed in cities should contain basement areas that can be used for civil air defense purposes in times of war. Under the PRC Civil Air Defense Law (中華人民共和國人民防空法) promulgated by the NPC on 29 October 1996, as amended on 27 August 2009 and Management Measures for Peacetime Development and Usage of Civil Air Defense Properties (人民防空工程平時開發利用管理辦法) promulgated by the House Civil Air Defense Office in November 2001, after obtaining the approval from the civil air defense supervising authority, a developer can manage and use such areas designated as civil air defense properties at other time and generate profits from such use. During the Track Record Period, we had leased out the civil air defence properties to our customers as car parks (the "**Designated Car Parks**"). However, in times of war, such areas may be used by the government at no cost. In the event of war and if the civil air defense area of our projects is used by the public, we may not be able to use such area as car parks, and such area will no longer be a source of our revenue. In addition, while our business operations have complied with the laws and regulations on civil air defense property in all material aspects, we cannot assure you that such laws and regulations will not be amended in the future which may make it more burdensome for us to comply with and increase our compliance cost.

Failure to make adequate contributions to various employee benefits plans as required by PRC regulations may subject us to penalties.

Companies operating in the PRC are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. During the Track Record Period and up to the Latest Practicable Date, we failed to timely make full social insurance contributions for certain of our eligible employees. Our Group also failed to (i) set up housing provident fund accounts for certain of our eligible employees; and (ii) timely make full housing provident fund contributions for certain of our eligible employees. We estimate that the unpaid amount of social insurance during the Track Record Period was approximately RMB1.5 million, RMB1.6 million, RMB2.1 million and RMB0.9 million, respectively and the unpaid amount of housing provident fund contributions during the Track Record Period was approximately RMB0.5 million, RMB0.5 million, RMB0.6 million and RMB0.3 million, respectively. Please refer to the sub-paragraph headed "Non-compliance" under the paragraph headed "Licences, regulatory approvals and compliance records" under the section headed "Business" in this prospectus for further details. As at the Latest Practicable Date, no administrative action had been initiated against our Group by the relevant PRC government authorities with respect to those non-compliance incidents, nor had any order been received by our Group to settle the historical contribution shortfall. However, our Group cannot assure that the relevant local government authorities will not require us to pay the outstanding amount within a specific time limit or impose late fees or fines on us, which may materially and adversely affect our financial condition and results of operation.

The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts or listing-for-sale confirmation letters, and we could have financial loss or lose our previous investments in the land and the opportunity to develop the development project, which may affect our business, results of operation and financial condition.

Under PRC laws and regulations, the PRC government may issue a warning, impose a penalty and/or reclaim our land if we fail to develop a particular development project according to the terms of the relevant land grant contracts, such as the approved land use, payment of land premiums and other fees, and the time for commencement and completion of development project.

Under current PRC laws and regulations, we may be subject to late penalties as stipulated in the land grant contracts if we fail to pay any outstanding land premium by the stipulated deadline. If we fail to commence development project for more than one year from the commencement date stipulated in the land grant contracts, the relevant PRC land bureau may serve an investigation notice and impose an idle land fee of up to 20% of the land premium on us unless the delay is caused by government actions or force majeure. If we fail to commence development project for more than two years, the land may be subject to forfeiture by the PRC government unless the delay is caused by government actions or force majeure. Furthermore, even if we commence development project in accordance with the land grant contracts, if the developed land area is less than one-third of the total land area, or if the total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the development project as specified in the project registration or approval documents, excluding the purchase price of the land, the development of the land is suspended for over one year without government approval, the land will still be treated as idle land. In addition, we are obliged to commence and complete our construction work in accordance with the dates stipulated under the land grant contracts. If we fail to commence or complete the construction works before the dates stipulated under the land grant contracts, it may constitute a breach of the land grant contracts and we may be subject to penalty as stipulated under the contracts.

We cannot assure you that we will be able to fully comply with the obligations under the land grant contracts or listing-for-sale letters in the future due to factors which are beyond our control, or that our development projects will not be subject to idle land penalties or be taken back by the government as a result of such delays. If we fail to comply with the terms of any land grant contract or listing-for-sale confirmation letter as a result of delays in project development or any other reasons, we may have financial loss or lose our previous investments in the land and the opportunity to develop the development project, which may have a material adverse effect on our business, results of operation and financial condition.

The application of HKFRS 15 and its amendments in the future may affect our financial position and results of operation.

From time to time, accounting standard setter implement changes in the financial accounting and presentation standards that govern the form, content and presentation of financial statements and the accounting treatment of underlying items. In addition, those bodies that establish and interpret the accounting standards may change or even reserve their previous interpretation or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be difficult to predict and could materially impact how we record and report our results of operation and financial condition. In some cases, we could be required to apply a new or revised accounting standard retrospectively, resulting in material changes in previously reported financial results, or a material cumulative change to retained earnings.

We have adopted HKFRS 15, *Revenue from contracts with customers* ("**HKFRS 15**") in the preparation of our financial statements. The HKICPA, which is responsible for developing and revising accounting standards in Hong Kong, issued HKFRS 15 and HKFRS 15 has replaced HKAS 18, *Revenue* ("**HKAS 18**") with effect from 1 January 2018. Such adoption of HKFRS 15 gives rise to substantial changes in the timing of revenue recognition, classification of contract liabilities and accounting for certain costs incurred to obtain a contract. Based on our initial assessment, if HKAS 18 was applied instead of HKFRS 15 throughout the Track Record Period, we estimate that the net profit attributable to equity shareholders of our Company would be reduced by approximately RMB3.9 million and RMB5.2 million, increased by RMB4.3 million and reduced by RMB16.3 million for the three years ended 31 December 2017 and the six months ended 30 June 2018 respectively, while our net assets would be decreased by approximately RMB7.3 million, RMB16.7 million, RMB9.2 million and RMB34.0 million as at 31 December 2015, 2016, 2017 and 30 June 2018 respectively. For further details, please refer to sub-paragraph headed "Applications of HKFRS 9 and HKFRS 15" under the paragraph headed "Significant accounting policies and estimates" under the section headed "Financial information" in this prospectus.

Future investments or acquisitions may have a material adverse effect on our ability to manage our business and harm our results of operation and financial condition.

We may make strategic investments and acquisitions that complement our operations. However, our ability to make successful strategic investments and acquisitions will depend to a large extent on our ability to identify suitable acquisition targets that meet our investment and acquisition criteria, to obtain financing on favourable terms and, where relevant, to obtain the required regulatory approvals. In the event that we are unable to make, or are restricted from making, such strategic investments or acquisitions due to regulatory, financial or other constraints, we may not be able to effectively implement our investment or expansion strategies.

We intend to apply a significant portion of the net proceeds from the Global Offering for land acquisition for future development projects which may increase our impairment loss, and impair our return on total assets, return on equity, Shareholders' investment return and valuation of our Company in the event where such development projects fall short of expected return.

We intend to apply approximately HK$68.8 million or approximately 36.0% of the net proceeds from the Global Offering for land acquisition costs and development costs for future development projects. For details, please refer to the sub-paragraph headed "We intend to continue to focus on the development of properties on our land bank, in particular in the Greater Bay Area and locations in the PRC which we consider with potential growth" under the paragraph headed "Our strategies" under the section headed "Business" in this prospectus, and the paragraph headed "Use of proceeds" under the section headed "Future plans and use of proceeds" in this prospectus.

Whereas we did not have any specific acquisition plans or targets as at the Latest Practicable Date, if we are presented with appropriate land acquisition targets, we may need to devote certain financial resources and management attention towards the assessment of such targets which include, among other things, estimating the expected return of and conducting feasibility study of the development projects to be developed on such land parcels. After the acquisition of such land parcels, their carrying amount may represent a substantial portion of our total assets and we may recognise impairment loss for the carrying amount of the land parcels, if the expected income of the relevant future development projects and the then market value of those lands is less than the carrying amount of the land parcels. Furthermore, the returns of such future development projects may also fall short of the expected return envisaged by us, which together with the impairment of the carrying amount of the land parcels, may have an adverse effect on our financial results, which will in turn impair the valuation of our Company and the investment return of our Shareholders.

RISKS RELATING TO THE PROPERTY DEVELOPMENT INDUSTRY IN THE PRC

Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC property sector and in local policies in the regions where we operate.

Our business is subject to extensive governmental regulation and, in particular, we are sensitive to policy changes in the PRC property industry. The PRC government exerts considerable influence on the development of the PRC property industry by imposing industry policies and other economic measures, such as control over the supply of land for property development and control of foreign investments. The PRC government may restrict or reduce the land available for property development, raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make available loans and mortgages to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property industry.

Previously, the PRC government had implemented a series of regulations and policies to slow down the property market and inflation of property prices, as well as to dampen property speculation. These policies may limit our ability to obtain financing, acquire land for future property developments, sell our properties at a profit and/or generate sufficient operating cash flow from contracted sales. For further details regarding such policies, please refer to the section headed "Regulatory overview" in this prospectus.

We cannot assure you that the PRC government will not adopt additional and/or more stringent industry policies, regulations and measures in the future. It is also impossible to ascertain the extent of the impact of any such measures on our operation or to accurately estimate our sales volume and revenue had such measures not been introduced. The existing and other future restrictive measures may limit our access to capital, reduce market demand for our development projects and increase our finance costs, and any easing measures introduced may also not be sufficient. If we fail to adapt our operations to new and/or amended policies, regulations or measures that may come into effect from time to time with respect to the property industry, or if our marketing and pricing strategies are ineffective in promoting our contracted sales in response, such policy and market condition changes may affect our contracted sales, delay our pre-sales schedules, or cause us to lower our average selling price and/or incur additional costs, in which cases our operating cash flows, gross profit margins, business, results of operation, financial condition and prospects may be materially and adversely affected.

The PRC property market industry is highly competitive.

There is a large number of property developers in the PRC and we expect the level of competition to increase over time, especially as new players enter the market and existing players expand, merge, reorganise and become more established. Intense competition among property developers in China for land, financing, construction materials and skilled management and human resources may result in increased cost for land acquisition and construction, an oversupply of properties available for sale, a decrease in property prices, a slowdown in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and an increase in administrative costs for hiring or retaining qualified construction contractors and personnel. Many of our competitors, including foreign developers and top-tier domestic developers, may have more financial or other resources than us. Domestic and overseas property developers have entered the property development markets in these cities where we have operations. If we fail to compete effectively, our business operations and financial condition will suffer.

The global financial markets, including the financial markets in China, have experienced significant slowdown and volatility during the past few years, which has affected the PRC property market, and any continued deterioration may materially and adversely affect our business and results of operation.

The economic slowdown and turmoil in the global financial markets starting in the second half of 2008 have resulted in a general tightening of credit, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The global economic slowdown has also affected the PRC property market, including among other things,

- by reducing the demand for commercial and residential properties resulting in the reduction of property prices;
- by adversely impacting the purchasing power of potential purchasers, which may further impact the general demand for properties and cause a further erosion of their selling prices; and
- by negatively impacting the ability of property developers and potential property purchasers to obtain financing.

More recently, global market and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity measures can lead to a slowdown in the economic growth. The PRC economy grew at a slower pace in 2014, 2015 and 2016 than in previous years, with a yearly real GDP growth of approximately 7.3%, 6.9% and 6.7%, respectively. Recently, there have been growing concerns about the volatility of the Chinese economy and the adjustments of Chinese fiscal policies. For example, after a rapid surge from the second half of 2014 to early June 2015, the Chinese domestic equity markets experienced sharp declines and severe volatility beginning from 13 June 2015. The Chinese government has taken monetary and regulatory measures to stabilise the market, including measures affecting market liquidity, new equity offering pipelines and trading activities of certain market participants. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a decline in the general demand for our properties and erosion of their selling prices. Any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global economic and financial market slowdown and volatility continue or become more severe than currently anticipated, or if the PRC economy and financial market continues to slow down, our business, financial condition, results of operation and prospects could be materially and adversely affected.

RISKS RELATING TO CONDUCTING OUR OPERATIONS IN THE PRC

Any changes in the political, social and economic conditions in the PRC may adversely affect our business.

Our financial condition and prospects are to a significant degree subject to the political, social and economic conditions of the PRC, as our assets are primarily located in the PRC and a significant amount of revenue is derived from operations that take place in the PRC. Any changes in the political, social and economic conditions of the PRC may adversely affect our business viability. The PRC government has undergone various reforms of its economic systems which have resulted in economic growth for the PRC over the past few decades. However, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. In addition, the scope, application and interpretation of laws relating to such reform may be uncertain. Political, economic and social factors may lead to further refinement or adjustment of the reform measures. Therefore, we cannot predict whether changes in the economic, political and social conditions in the PRC will lead to continued growth or whether any such growth will be in a geographic region or economic sector beneficial to us. Moreover, even if new policies may benefit our industry in the long term, we cannot assure you that we will be able to successfully adjust to such policies. As our operations and assets are primarily located in the PRC, and our revenue derived from the PRC also increased substantially during the Track Record Period, we depend heavily on general economic conditions in the PRC for our continued growth. Therefore, if the PRC's economic growth slows down or if the PRC economy experiences a recession as a result of any changes in the PRC's political, economic and social conditions, the growth in demand for our products may be reduced or become minimal, and thus may have a material and adverse effect on our future growth and results of operation.

Acts of God, acts of war, epidemics and other disasters could affect our business.

Our business is subject to the general and social conditions in the PRC. Acts of God such as natural disasters, epidemics, and other disasters which may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC are beyond our control. Our business, results of operation and financial condition may be materially and adversely affected if these natural disasters occur.

Apart from natural disasters, epidemics may materially and adversely affect people's livelihood and even threaten people's lives. Any outbreak of an epidemic is beyond our control and there is no assurance that epidemics like severe acute respiratory syndrome, avian flu or the human swine flu will not happen again. In the event of an occurrence of epidemic in the PRC, our business, results of operation and financial condition may be materially and adversely affected.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees, facilities, markets, suppliers and customers, any of which may materially and adversely affect our revenue, cost of sales, results of operation, financial condition or share price. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

There are uncertainties associated with the implementation, interpretation and enforcement of the PRC legal system.

Our business and operations in the PRC are governed by PRC law. The PRC is a civil law jurisdiction based on written codes and statutes. Unlike common law jurisdictions, in the PRC, prior court decisions may be cited as persuasive authority but do not have binding legal force. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters in general such as foreign investment, corporate organisation and governance, commerce, taxation and trade in order to establish a comprehensive legal system conducive to investment. However, the implementation, interpretation and enforcement of these statutes may involve greater uncertainty compared to those in the common law jurisdictions due to a relatively short legislative history and the limited number and non-binding nature of court cases. Depending on the government agency and court or how an application or a case is presented to such agency or court, we may be subject to less favourable interpretations of the law than those imposed on our competitors. In addition, litigation in the PRC may be protracted and result in substantial legal costs and the diversion of our resources and the attention of our management. Similarly, legal uncertainty in the PRC may limit the legal protections available to potential investors. We cannot predict the effects of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to potential investors.

Our revenue is denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility.

We require access to foreign currency to pay dividends to our Shareholders. However, our revenue is denominated in Renminbi, which currently is not a freely convertible currency. Under the PRC foreign exchange rules and regulations, payments of current account items, including profit distributions, interest payments and expenditures related to business operations, are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange controls continue to apply to capital account transactions. Capital account transactions must be approved by or registered with SAFE. Repayments of loan principal, direct capital investment and investments in negotiable instruments are also subject to restrictions. As a result of these controls, we cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits to our Shareholders in the form of dividends.

The value of the Renminbi depends to a large extent on the PRC's domestic and international economic, financial and political conditions and government policies, as well as the local and international currency markets. In light of the flood of capital outflows of China in 2016 due to the weakening of RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

Any change in PRC foreign exchange policies may give rise to uncertainties in our financial condition and results of operation. We currently do not, nor do we intend to, hedge our exposure to the US dollar or other currencies. Since our income and profits are denominated in Renminbi, any appreciation in the Renminbi may subject us to increased competition from imports while a devaluation of the Renminbi may adversely affect the value of our net assets, earnings and declared dividend in foreign currency terms, as well as our ability to meet our foreign currency obligations.

Our financial statements are subject to currency fluctuation on translation.

We conduct our business mainly in Renminbi, while the financial statements of our Hong Kong and overseas subsidiaries are presented in Hong Kong dollars. During the three years ended 31 December 2017 and the six months ended 30 June 2018, our exchange gain or loss on translation of financial statements of Hong Kong and overseas subsidiaries amounted to losses of approximately RMB34.8 million, RMB42.2 million, gain of RMB47.0 million, and losses of RMB6.5 million, respectively. In preparing our consolidated financial statements, the results of operation and financial conditions of our operating subsidiaries in Hong Kong and in overseas are translated into Renminbi at the prevailing exchange rates. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates as at 31 December 2015, 2016, 2017 and 30 June 2018. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

Fluctuations in the exchange rates between the Renminbi and the Hong Kong dollar impact our other comprehensive income which will be included in our exchange reserve and, depending on the magnitude of these fluctuations, could obscure the underlying trends that would have been apparent if our consolidated financial statements had been prepared on a constant currency basis. Please refer to the sub-paragraph headed "Effects of currency fluctuation on translation" under the paragraph headed "Consolidated statements of profit or loss" under the section headed "Financial information" in this prospectus.

We cannot predict how the Renminbi will fluctuate against the Hong Kong dollar in the future, and currency translation or exchange differences may continue to impact our other comprehensive income. We cannot assure you that significant appreciation or depreciation of the Renminbi against the Hong Kong dollar will not occur.

There may be difficulties in effecting service of process upon us and in seeking recognition and enforcement of foreign judgments or arbitral awards in the PRC.

Our operations and assets are primarily located in the PRC. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和

執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil commercial case according to a written choice of court agreement may apply for the recognition and enforcement of such judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring the payment of money in a civil commercial case pursuant to a written choice of court agreement may apply for the recognition and enforcement of such judgment in Hong Kong. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. It may be difficult or impossible for investors to effect service of process against us or our assets in the PRC in order to seek the recognition and enforcement of foreign judgments in the PRC, if the parties in dispute do not agree to such a choice of court agreement in accordance with the requirements set forth in the Arrangement.

The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of the United States, the United Kingdom, or most other western countries, or Japan. Therefore, it may not be possible for investors to effect service of process on us in the PRC or to enforce any judgment awarded by non-PRC courts in the PRC.

The PRC is one of the signatories to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"), which allows for the enforcement of arbitral awards given by the arbitration bodies of other New York Convention signatories. Following the resumption of sovereignty over Hong Kong by the PRC on 1 July 1997, the New York Convention is no longer applicable for the enforcement of arbitral awards of Hong Kong in other parts of the PRC. As a result, a memorandum of understanding was signed on 21 June 1999 to permit the reciprocal enforcement of arbitral awards between Hong Kong and the PRC (the "**Memorandum of Understanding**"). This Memorandum of Understanding was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. It may be difficult to seek recognition and enforcement of arbitral awards in the PRC if the arbitral awards were given by arbitration bodies that are not signatories to the New York Convention or do not have similar arrangements to the Memorandum of Understanding between Hong Kong and the PRC.

Dividends from our PRC subsidiaries paid to our Hong Kong subsidiaries might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC.

Under the EIT Law, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments from PRC subsidiary to their foreign shareholders are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is the beneficial owner of more than 25% of a PRC company distributing the dividends. According to the Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (關於發布〈非居民納稅人享受稅收協定待遇管理辦法〉的公告) ("**2015 Administration Measures**"), which was promulgated by the State Administration of Taxation on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with the State Administration of Taxation is no longer required before a non-resident taxpayer can enjoy the tax preferential treatment under the relevant treaties. A non-resident taxpayer may enjoy the tax preferential treatment at the time of return filings or withholding and declaration through a withholding agent if it is eligible for the tax preferential treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the tax preferential treatment, the non-tax resident shall file documents as required by the 2015 Administration Measures with tax authority when filing tax returns or withholding and declaration through a withholding agent, among which is the tax resident identity issued by the tax authority of the counter party to the treaty. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the tax preferential treatment, ask for supplemental documents from the non-tax resident or, if the non-resident taxpayer is deemed not eligible for the tax preferential treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the State Administration of Taxation on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will recognise and accept the 5% withholding tax rate on dividends paid by our PRC subsidiaries and received by our Hong Kong subsidiaries.

Our income and the dividends we may receive from our PRC subsidiaries may be subject to PRC tax under the EIT Law, which may have a material adverse effect on our results of operation.

Under the EIT Law and its implementing rules, both of which became effective from 1 January 2008, an enterprise established outside of the PRC with "de facto management bodies" situated within the PRC could be considered a PRC resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income with any relevant foreign tax paid available to be claimed as a foreign tax credit. The implementing rules of the EIT Law define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise". The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies ("**Guo Shui Fa [2009] No. 82**", or "**Circular 82**")(關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知, 國稅發[2009]82號), on 22 April 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals or foreigners, like our Company, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. If the PRC authorities were to subsequently determine that we should be so treated and if we derive any global income in future, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability. Further, if we are regarded as a PRC resident enterprise, dividends that we receive from the subsidiary which are considered as PRC resident enterprises would be exempt from EIT and no withholding tax would be applied either. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that our income may not be subject to the EIT Law and that we are eligible for such PRC enterprise income tax exemptions or reductions.

In addition, because there remains uncertainty regarding the interpretation and implementation of the EIT Law and its implementing rules, it is uncertain whether, if we are regarded as a PRC resident enterprise, dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to a 10% withholding income tax, unless any such foreign corporate shareholder is qualified for a preferential withholding rate under a tax treaty. For further details, please refer to the sub-paragraph headed "Enterprise income tax" under the paragraph headed "Taxation" under the section headed "Regulatory overview" in this prospectus. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our non-PRC corporate shareholders, or if you are required to pay PRC income tax on the transfer of our Shares, your investment in our Shares may be materially and adversely affected.

PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries.

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or their respective local counterpart. We may also determine to finance our PRC subsidiaries by means of capital contributions. Such capital contributions must be approved by or filed with the MOFCOM or their respective local counterpart. We cannot assure you that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to finance our PRC subsidiaries. If we fail to receive relevant registrations or approvals, our ability to use the proceeds of this offering and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

We face uncertainty with respect to PRC tax obligations in connection with indirect transfer of equity interests in our PRC resident enterprise through their non-PRC holding companies.

On 3 February 2015, the SAT issued a new circular on the PRC tax treatment of an indirect transfer of assets by a non-resident enterprise (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the "**Circular No. 7**"). Circular No. 7 stipulates that if a non-resident enterprise indirectly transfers its equity interest in the PRC resident enterprises and other properties by implementing arrangements such as transfer of shares in an overseas enterprise, without reasonable commercial purposes but to evade the enterprise income tax, the nature of this indirect transfer shall be re-defined and recognised as a direct transfer of equity interest in a PRC resident enterprise and other properties.

Theoretically, the relevant provisions in Circular No. 7 are not applicable to transfers of our Shares by Shareholders who are individuals or PRC resident enterprises, and these Shareholders, as transferors of our Shares, will in no circumstances be subject to PRC tax reporting obligations or tax liabilities as provided under Circular No. 7. However, it is not clear how the PRC tax authorities will interpret the Circular No. 7 in the case that individuals or PRC resident enterprises transfer our Shares. Transferring shareholders may become subject to PRC tax reporting obligations or tax liabilities under Circular No. 7 if (i) the transferring shareholders are non-resident enterprises; and (ii) the transfer of our Shares by such Shareholders is determined as not having any reasonable commercial purpose by competent tax authorities.

Circular No. 7 specifies a number of factors and conditions that shall be considered in determining whether an indirect transfer of the (i) properties of an establishment or place in the PRC, (ii) real estate in the PRC or (iii) equity investment in a PRC resident enterprise and other properties directly held by such non-resident enterprise and for which the proceeds from the transfer of such properties shall be subject to EIT as specified by the PRC tax laws (collectively the "**PRC Taxable Properties**") has a reasonable commercial purpose. It also specifies circumstances under which an indirect transfer shall be directly deemed as having no reasonable commercial purpose ("**Deemed Negative Determination**"). The determination shall be made on a case-by-case basis based on specific circumstances.

Provisions of Circular No. 7 imposing PRC tax liabilities and reporting obligations do not apply to "non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market" ("**Public Market Safe Harbour**").

Since Circular No. 7 has only become effective since 3 February 2015 and no implementing rules have been released yet, it is not clear that how the relevant taxation authorities would interpret and define each factor and then determine whether the transfer of our Shares by Shareholders may have a reasonable commercial purpose or not. In addition, Circular No. 7 does not address detailed follow-up procedures if the indirect transfer of the PRC Taxable Properties is determined as not having any reasonable commercial purpose. As stated in the section headed "Information about this prospectus and the Global Offering" of this prospectus, potential investors are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Offer Shares.

If any future transfer of our Shares constitutes an indirect transfer of the PRC Taxable Properties and is subject to the EIT obligation under Circular No. 7, the amount of the EIT shall be calculated based on the "income from the transfer" and applicable tax rate. In respect of tax rate, a withholding tax rate of 10% shall be applicable, unless otherwise provided in the relevant tax treaty.

PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects.

The Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) ("**M&A Rules**"), which were promulgated in August 2006, became effective from 8 September 2006 and were amended on 22 June 2009, provide the rules with which foreign investors must comply if they are seeking to acquire shares in a non-foreign funded enterprise, whether through a purchase agreement with existing shareholders or through a direct subscription from a company, that would result in that company becoming a foreign-funded enterprise. The M&A Rules further require that the business scope of the resultant foreign-funded enterprise conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄). The M&A Rules also provide the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a PRC company in the future, there is no assurance that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to Listing, there is no public market for our Shares. The listing of, and the permission to deal with, our Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Global Offering. Factors such as variations in our Group's revenue, earnings and cash flows, strategic acquisitions made by our Group or its competitors, loss of key personnel, litigation, fluctuations in the market prices for the land in the PRC, the liquidity of the market for our Shares, the general market sentiment regarding the property development industries could cause the market price and trading volume of our Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

Investors for our Shares may experience dilution if we issue additional Shares in the future.

If we issue additional Shares in the future, investors of our Shares in the Global Offering may experience further dilution in their ownership percentage. We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our Offer Shares.

Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares.

We cannot assure you that our Controlling Shareholders will not dispose of their Shares after the Global Offering or following the expiration of their respective lock-up periods after completion of the Global Offering. We cannot predict the effect, if any, that any future sales of Shares by any Substantial Shareholder or Controlling Shareholder, or the availability of Shares for sale by any Substantial Shareholder or Controlling Shareholder may have on the market price of our Shares. Sales of substantial amounts of Shares by any Substantial Shareholder or Controlling Shareholder or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of the Shares.

Future issues, offers or sale of Shares may adversely affect the prevailing market price of our Shares.

Future issue of Shares by our Company or the disposal of a substantial number of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of our Shares. We cannot give any assurance that such event will not occur in the future.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

Prior to the publication of this prospectus, there may be press and media coverage regarding us and/or the Global Offering including certain financial information, financial projections and other information about us that do not appear in this prospectus, the disclosure of which was not authorised by us (the "**Unauthorised Information**"). We wish to emphasise to potential investors that we do not accept any responsibility for any such Unauthorised Information. The Unauthorised Information was not sourced from or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the Unauthorised Information. To the extent that any of the Unauthorised Information is inconsistent with, or is in conflict with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any of the Unauthorised Information.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from research reports and supplied by other parties contained in this prospectus.

Certain facts and statistics cited in this prospectus are based on various official government and non-official publications, including the Colliers Report. We cannot guarantee the quality or reliability of such facts and statistics. Such information has not been independently verified by us and may be inconsistent, inaccurate, incomplete or out-of-date. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), their respective directors and advisers or any other parties involved in the Global Offering makes any representation as to the accuracy or completeness of such facts and statistics. Such facts and statistics may not be consistent with other information compiled within or outside the PRC. Furthermore, the facts and statistics may be incomparable to statistics on the economies of other nations and there can be no assurance that the statistics are stated or compiled on the same basis or with the same degree of accuracy as compared to those stated or compiled by other nations. Accordingly, such facts and statistics should not be unduly relied upon.

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable laws in the countries of their respective citizenship, residence and domicile.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information about our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Global Offering is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering. You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, and the International Offering is expected to be fully underwritten by the International Underwriters. The Global Offering is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator. If, for any reason, the Offer Price is not agreed upon among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Hong Kong Offer Shares are being offered at the Offer Price which is expected to be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or around Thursday, 13 December 2018, or such later date as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us but in any event not later than 6:00 p.m. (Hong Kong time) on Tuesday, 18 December 2018.

If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Hong Kong Public Offer will not become unconditional and will lapse.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

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

RESTRICTIONS ON OFFER AND SALE OF 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 Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors, affiliates, advisers, agents or representatives of any of them or any other person or party involved in the Global Offering.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm, that he is aware of the restrictions on offers and sale of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment

Option and upon the exercise of any options which may be granted under the Share Option Scheme) and Shares to be issued under the Loan Capitalisation and the Capitalisation Issue. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Offer Shares subscribed for pursuant to applications made in the Hong Kong Public Offering will be registered on our Company's branch share register of members to be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on the register of members of our Company in Hong Kong may be traded on the Stock Exchange.

Dealings in Shares registered in the register of members in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration of, if higher, the market value of the Shares being sold or transferred.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert.

We, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other persons or parties involved in the Global Offering do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading days. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the stabilisation and the Over-allotment Option are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in United States dollars and RMB have been translated, for illustrative purposes only, into Hong Kong dollars in this prospectus at the following rates:

US$1	:	HK$7.80
RMB0.8725	:	HK$1

No representation is made at that any amounts in US$, RMB or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence at 9:00 a.m. on Thursday, 20 December 2018. Shares will be traded in board lots of 2,000 each.

DIRECTORS

Name	Residential address	Nationality
Non-executive Director and Chairman of the Board		
Wong Ting Chung 王庭聰	Flat A, 15/F, Tower 2 Mayfair by the Sea I 23 Fo Chun Road Pak Shek Kok, Tai Po The New Territories, Hong Kong	Chinese
Executive Directors		
Lau Ka Keung 樓家強	House 37, Tycoon Place 38 Lo Fai Road, Tai Po The New Territories, Hong Kong	Chinese
Wong Ka Lun 黃家倫	Flat B, 18/F, Tower 9 Grand Yoho 9 Long Yat Road Yuen Long The New Territories, Hong Kong	Chinese
Lau Pui Kwan 劉佩君	Flat 1419, Yan Hei House Yan On Estate Ma On Shan The New Territories, Hong Kong	Chinese
Lin Guoxian 林國賢	Room 2102 271 Xiahe Road Siming District, Xiamen Fujian, PRC	Chinese
Independent non-executive Directors		
Ip Shu Kwan, Stephen 葉澍堃	Flat A 7/F, Tower 5 Dynasty Court 23 Old Peak Road Central, Mid-level Hong Kong	Chinese
Li Yinquan 李引泉	Flat F, 30/F, Blk 13A South Horizons Hong Kong	Chinese
Wu Wing Kuen 胡永權	Apartment B2, 2/F, Block B, Sunderland Estate No. 1 Hereford Road Kowloon Tong, Kowloon Hong Kong	Chinese

SENIOR MANAGEMENT

Name	Residential address	Nationality
Lau Ka Keung 樓家強	House 37, Tycoon Place 38 Lo Fai Road, Tai Po The New Territories, Hong Kong	Chinese
Wong Ka Lun 黃家倫	Flat B, 18/F, Tower 9 Grand Yoho 9 Long Yat Road Yuen Long The New Territories, Hong Kong	Chinese
Lau Pui Kwan 劉佩君	Flat 1419, Yan Hei House Yan On Estate Ma On Shan The New Territories, Hong Kong	Chinese
Lu Bingqian 盧秉乾	Room 703 Building 4 Sanyatang Huabian North Road 25 Huizhou, Guangdong, PRC	Chinese
Chen Junbin 陳俊斌	Room 705, Donghu West Road 55, Guangzhou, Guangdong PRC	Chinese
Cheng Tiandong 程天冬	2–401 Yidunjinqiao, Wuhu Anhui, Guangdong, PRC	Chinese
Quan Jianxu 權建許	TCL Cui Court D1 Maidi North Road, Huizhou Guangdong, PRC	Chinese
Huang Daode 黃道德	2104 C, Xuefu Garden Xuefu Road, Shenzhen Guangdong, PRC	Chinese
Xiong Weiying 熊偉英	Longhuwan 8–1501 Huishadi 2 Road, Huizhou Guangdong, PRC	Chinese

Please refer to the section headed "Directors, senior management and employees" in this prospectus for biographies of each of our Directors and members of the senior management.

PARTIES INVOLVED

Sole Sponsor	China Everbright Capital Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
Sole Global Coordinator	China Everbright Securities (HK) Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
Joint Bookrunners	China Everbright Securities (HK) Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Joint Lead Managers	China Everbright Securities (HK) Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong ABCI Securities Company Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong

Legal advisers to the Company	*As to Hong Kong law:* William Ji & Co. in Association with Tian Yuan Law Firm Hong Kong Office Suite 702, 7/F Two Chinachem Central 26 Des Voeux Road Central Central, Hong Kong
	As to Cayman Islands laws: Harney Westwood & Riegels 3501 The Center 99 Queen's Road Central Hong Kong
	As to PRC law: Tian Yuan Law Firm 10/F, CPIC Plaza B No. 28 Fengsheng Lane Xicheng District Beijing, PRC
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* Chiu & Partners 40/F, Jardine House 1 Connaught Place Hong Kong
	As to PRC law: AllBright Law Offices 23/F, Tower 1, Excellence Century Center Fuhua 3 Road Futian District Shenzhen, China
Reporting accountants	KPMG 8/F., Prince's Building 10 Chater Road Central, Hong Kong
Industry consultant	Colliers International (Hong Kong) Limited Suite 5701, Central Plaza 18 Harbour Road Wanchai, Hong Kong

Property valuer	Colliers International (Hong Kong) Limited Suite 5701, Central Plaza 18 Harbour Road Wanchai, Hong Kong
Receiving bank	Hang Seng Bank Limited 83 Des Voeux Road Central Central Hong Kong

Registered office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 2302, 23/F, New World Tower 1 18 Queen's Road Central, Central Hong Kong
Principal place of business in the PRC	Plant No. 5, 8 Longhe East Road, Shuikou Street Office, Huicheng District, Huizhou City, the PRC
Company's website	www.millioncities.com.cn *(the information contained in this website does not form part of this prospectus)*
Company secretary	Lau Pui Kwan 劉佩君*CPA, ACS, ACIS* Flat 1419, Yan Hei House Yan On Estate Ma On Shan, The New Territories Hong Kong
Authorised representatives	Lau Ka Keung 樓家強 House 37, Tycoon Place 38 Lo Fai Road, Tai Po, The New Territories Hong Kong Lau Pui Kwan 劉佩君*CPA, ACS, ACIS* Flat 1419, Yan Hei House Yan On Estate Ma On Shan, The New Territories Hong Kong
Audit Committee	Li Yinquan 李引泉*(Chairman)* Ip Shu Kwan, Stephen 葉澍堃 Wu Wing Kuen 胡永權
Nomination Committee	Ip Shu Kwan, Stephen 葉澍堃*(Chairman)* Wu Wing Kuen 胡永權 Wong Ting Chung 王庭聰
Remuneration Committee	Wu Wing Kuen 胡永權*(Chairman)* Li Yinquan 李引泉 Wong Ting Chung 王庭聰

Compliance adviser	China Everbright Capital Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Central, Hong Kong Hang Seng Bank (China) Co., Ltd, Tianjin Branch Room 1601, Level 16 Tower 2, Jinhui Plaza 189 Nanjing Road Heping District Tianjin, PRC Bank of China, Huizhou Branch No. 42 Kaicheng Dadao Danshui Huiyang Huizhou Guangdong, PRC China Construction Bank Corporation, Wuqing Branch The intersection between Xinhua Road and Yongyang West Road Wuqing District Tianjin, PRC

This section contains certain information which is derived from official government publications and industry sources as well as the Colliers Report, a commissioned report from Colliers, an independent third party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information from official government and non-official sources, it has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon.

SOURCES OF INFORMATION

In connection with the Global Offering, we have commissioned Colliers, an independent third party, to prepare the Colliers Report for use in this prospectus with necessary information on the real estate markets in the PRC and the cities in which we operate. Colliers has charged us a total fee of approximately HK$250,000 for the preparation of the Colliers Report, which we believe is in line with the market rate for such reports.

Colliers is an international real estate consultancy group, which provides a range of services including valuation and consultancy for occupiers, investors and developers across all sectors of the real estate market. Colliers has a licensed office in Hong Kong.

For the purpose of Listing, Colliers also serves as our property valuer. The property valuation report prepared by Colliers, which relates to our property interests, is included in Appendix III to this prospectus. Colliers provided services to our Group through two business teams which are independent from each other. This section was prepared primarily by the designated market research team based on the following:

- data from various government publications;
- site visits and interviews;
- proprietary database; and
- renowned research institution, China Real Estate Information System ("**CREIS**").

The following sets out the main reasons why Colliers adopted the above sources of information and considered them as reliable:

1. it is general market practice to adopt official data and announcements from various Chinese government agencies; and

2. Colliers understands the data collection methodology and data source of the proprietary database of Colliers and the subscribed database from CREIS.

While preparing this section, Colliers has relied on the assumptions listed below:

- all land transaction records and contracted average selling prices of selected development projects provided by our Company are true and correct;
- all published data by the Statistics Bureaus are true and correct;
- all collected information relating to residential sales transactions from the relevant local housing administrative bureaus are true and correct;
- all land transaction records collected from the Land Resources Administrative Bureaus of the PRC are true and correct; and
- where subscribed data is obtained from renowned public institutions, Colliers will rely upon the apparent integrity and expertise of such institutions. Colliers will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.

Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Colliers Report prepared by Colliers, which may qualify, contradict or have impact on the information set out in this section.

1. OVERVIEW OF THE ECONOMY OF THE PRC

The economy of the PRC has achieved a remarkable period of rapid growth since the economic reforms in late 1970s. Despite global economic uncertainties and turbulences in recent years, the PRC has enjoyed a steady economic growth and managed to maintain its position as one of the fastest growing economy in the world. In 2017, its real GDP expanded by approximately 6.9% as compared with the previous year, one of the highest real GDP growth among the global economies. The nominal GDP recorded a new high at approximately RMB82,712.2 billion in 2017, representing the GDP per capita at approximately RMB59,660.0, which grew from approximately RMB36,403.0 in 2011, showing a CAGR of approximately 8.6%.

The rapid economic development has boosted the pace of its urbanisation. Urban population increased from approximately 690.8 million in 2011 to approximately 813.5 million in 2017, representing a CAGR of approximately 2.8%. The urbanisation rate increased from approximately 51.3% in 2011 to approximately 58.5% in 2017. According to the National Plan on New Urbanisation (2014–2020), urban population is expected to grow steadily, aiming to achieve an urbanisation rate of 60% by 2020. The trend of accelerating urbanisation is expected to create robust demand for investment in infrastructure facilities, which in turn will stimulate economic growth and support achieving an urbanisation rate of 60% by 2020.

The rise in disposable income of urban residents was as a result of rapid economic development in the PRC. The annual disposable income per capita of urban residents increased from approximately RMB21,810.0 in 2011 to approximately RMB36,396.0 in 2017, representing a CAGR of approximately 8.9%. The rise of upper middle class and affluent families will become a major driver for domestic consumption.

2. RELEVANT GOVERNMENT POLICIES IN THE PRC

On 24 March 2016, the Ministry of Finance of the PRC and the State Administration of Taxation jointly issued a circular about expanding the VAT programme to all industries, including real estate, construction, finance and consumer services industries, which has become effective since 1 May 2016. The reform is expected to lower tax burdens and tax-related costs as well as to mitigate multiple taxation for businesses and companies. The circular confirmed that an 11% VAT rate would be applied to the real estate industry. According to The Report on The Work of The Government, delivered by Premier Li Keqiang at the Fifth Session of the 12th National People's Congress on 5 March 2017, Premier Li Keqiang highlighted several key tasks, including 1) keeping fixed asset investment as a key driver of the economic growth; 2) implementing development plan for strategic emerging industries; 3) deepening structural reform to create a business-friendly environment; 4) promoting steady development of the real estate sector; and 5) maintaining RMB's stable position in the global monetary system.

3. OVERVIEW OF THE PROPERTY MARKET IN THE PRC

Market drivers

The expeditious economic development and urbanisation, as well as rising disposable income, have created strong demand for real estate investment, which contributes to further property price growth.

Property market in the PRC

According to the data released by the National Bureau of Statistics of China, the total real estate investment of commodity properties increased from approximately RMB6,180.0 billion in 2011 to approximately RMB10,979.9 billion in 2017, representing a CAGR of approximately 10.1%. Real estate sale transaction volume and prices in the PRC have been more pronounced in recent years. In 2017, the total GFA of commodity properties sold amounted to approximately 1,694.1 million sq.m., while the average selling price of commodity properties amounted to approximately RMB7,892.2 per sq.m. in 2017, representing a CAGR of approximately 7.6% and 6.7% respectively during the period between 2011 and 2017.

It is expected that major cities located in well-developed and emerging metropolitan clusters such as Beijing-Tianjin-Hebei region, the Yangtze River Delta Region and the Pearl River Delta, will continue to enjoy the price growth in real estate market due to the solid economic foundation and increasing urbanisation.

4. OVERVIEW OF THE PROPERTY MARKET IN THE GREATER BAY AREA AND HUIZHOU

4.1 Greater Bay Area

The concept of the Greater Bay Area had first been proposed by Premier Li Keqiang in 2017 on the 5th Session of the 12th National People's Congress, aiming to promote and deepen the cooperation between mainland China, Hong Kong and Macau. There are 11 cities involving in the Greater Bay Area, which consists of 9 cities originally from the PRD Economic Zone, which contains Guangzhou, Huizhou, Shenzhen, Dongguan, Foshan, Zhongshan, Zhuhai, Jiangmen and Zhaoqing, and two special administrative regions including Hong Kong and Macau. The Greater Bay Area has a land area of approximately 56,000 square kilometres ("**sq.km.**") with a population of approximately 69.5 million by the end of 2017. According to the data released by local government, the total nominal GDP of 11 cities reached approximately RMB10,250.3 billion in 2017, increased from approximately RMB5,551.9 billion in 2011. The GDP growth is strong in the past years. In 2017, 8 cities out of 11 kept Year-to-Year ("**YoY**") GDP growth was over approximately 7.0%.

Central government planned to develop the Greater Bay Area to a world-class cluster, transforming from "The factory of the world" to a dynamic hub of innovation and services. It will be a region with the economic heft that is comparable to the San Francisco Bay Area, the Greater New York Area and the Greater Tokyo Area.

4.2 Huizhou

4.2.1 Economic overview

Huizhou is a city located in the southeast of Guangdong Province. Huizhou borders Guangzhou, the provincial capital to the west, Shenzhen and Dongguan to the southwest. It occupies approximately 11,346 sq.km. of land, with a population of approximately 4.8 million and an urbanisation rate of approximately 55.9% at the end of 2017.

The nominal GDP increased from approximately RMB209.5 billion in 2011 to approximately RMB383.1 billion in 2017, with YoY real GDP growth ranged from approximately 7.6% to 14.6%. Fixed asset investments in the region increased from approximately RMB102.5 billion in 2011 to approximately RMB223.5 billion in 2017 with a CAGR of approximately 13.9%. The annual disposable income per capita of urban residents increased from approximately RMB26,609.0 in 2011 to approximately RMB36,608.0 in 2017, representing a CAGR of approximately 5.5%.

4.2.2 Relevant government policies

According to Hui Shi Fa Gai Jia (2016) No. 98 jointly issued by Huizhou Municipal Real Estate Administration Bureau and Huizhou Development and Reform Bureau dated 14 October 2016, the following policies have been effective since 14 October 2016 for a period of three years. Firstly, prior to the application of pre-sale permits for new residential developments, developers are required to confirm with the relevant authority for restricted selling prices. Secondly, developers have to launch the sale within 10 days once the pre-sale permits are obtained. Thirdly, actual transaction prices of commodity properties cannot exceed the restricted selling prices or lower than 90% of the restricted selling prices.

According to Hui Fu Ban (2017) No. 10 issued by the People's Government of Huizhou City dated 8 April 2017, the following policies have been effective since 9 April 2017. Firstly, purchasers are not allowed to sell the commodity residential properties, which are purchased on or after 9 April 2017, within three years after obtaining the relevant real estate title certificates. Secondly, once the requirements of pre-sale have been fulfilled, developers are required to confirm with the relevant authority for restricted selling prices within 30 days and apply for pre-sale permits within 15 days after that. Thirdly, developers are not allowed to launch the sale without pre-sale permits.

4.2.3 Property market overview

According to the data released by the Statistics Bureau of Huizhou, the total real estate investment of commodity properties increased from approximately RMB37.8 billion in 2011 to approximately RMB88.4 billion in 2017, representing a CAGR of approximately 15.2%.

The total GFA of commodity properties completed amounted to approximately 10.4 million sq.m. in 2017, while the total GFA of commodity properties under construction was approximately 76.0 million sq.m.. Selling activities in the property market remained strong, with the total GFA of commodity properties sold amounted to approximately 16.5 million sq.m. in 2017, representing a CAGR of approximately 12.8% between 2011 and 2017.

The average selling price of first-hand commodity residential properties increased from approximately RMB5,676 per sq.m. in 2010 to approximately RMB6,473 per sq.m. in 2015, representing a CAGR of approximately 2.7% during the period. The average selling price of first-hand commodity residential properties inflated to approximately RMB10,036 per sq.m. in 2017, representing a CAGR of approximately 24.5% between 2015 to 2017.

The following table sets out the average selling price of first-hand commodity residential properties in Huizhou from 2010 to 2017:

	2010	2011	2012	2013	2014	2015	2016	2017
Average selling price (RMB/sq.m.)	5,676	6,445	6,448	6,396	6,697	6,473	8,711	10,036
YoY growth rate	—	13.5%	0.0%	–0.8%	4.7%	–3.4%	34.6%	15.2%

Source: China Index Academy

Huizhou is a city that an increasing number of property developers conduct business in. Well-known domestic developers including Country Garden (碧桂園), Taidong Group (太東集團) and SINIC (新力地產) have established strong presence in Huizhou. Our Group is not one of the top ten property developers in Huizhou in terms of residential GFA available for sale in 2017 which is in accordance with the pre-sale permits issued in 2017 available in the public domain.

The residential market in Huizhou is largely underpinned by domestic demand, which accounts approximately 70% of the total, according to Huizhou Municipal Bureau of Management. Approximately 30% of non-local buyers mainly come from other cities in Guangdong Province, such as, Dongguan and Guangzhou. Considering its advantage of lower selling prices compare to other cities, high-rise apartments will remain popular for buyers with rigid demand from Huizhou and neighbouring cities. The future supply of residential market in Huizhou is expected to remain steady in the coming three years, given Huicheng and Huiyang districts will be the major source of supply.

4.2.4 Competitive analysis

Based on the residential GFA available for sale in the first half of 2018 which is in accordance with the pre-sale permits issued in the first half of 2018 available in the public domain, we ranked 12th among property developers in Huizhou city with a market share of approximately 1.4%.

The following table sets out the market share of the top 12 property developers and our Group in Huizhou in terms of residential GFA available for sale in the first half of 2018 which is in accordance with the pre-sale permits issued in the first half of 2018 available in the public domain:

Rank	Name of enterprise	Residential GFA available for sale in the first half of 2018 (sq.m.)	Approximate market share
1	Country Garden (碧桂園)	1,306,337	13.9%
2	Taidong Group (太東集團)	416,677	4.4%
3	SINIC (新力地產)	353,751	3.8%
4	Evergrande (恒大地產)	320,067	3.4%
5	Logan (龍光集團)	214,700	2.3%
6	CITIC Real Estate (中信地產)	203,320	2.2%
7	Mingju China (名巨地產)	172,626	1.8%
8	Jinhongsheng Group (金泓昇集團)	161,669	1.7%
9	Galaxy Holding Group (星河控股)	150,239	1.6%
10	Kaisa (佳兆業)	136,170	1.5%
11	Agile (雅居樂)	101,167	1.4%
12	Our Group	94,004	1.4%

Source: Huizhou Municipal Bureau of Management

5. OVERVIEW OF THE PROPERTY MARKET IN TIANJIN

5.1 Tianjin

5.1.1 Economic overview

Tianjin is a well-developed city in the northern part of China and one of the four municipalities of the country. It has a population of approximately 15.6 million and an urbanisation rate of approximately 82.9% at the end of 2017.

The nominal GDP increased from approximately RMB1,130.7 billion in 2011 to approximately RMB1,859.5 billion in 2017, with a real GDP growth over 9% per year from 2011 to 2016, and adjusted to approximately 3.6% in 2017. Fixed asset investments increased from approximately RMB751.1 billion in 2011 to approximately RMB1,127.5 billion in 2017 with a CAGR of approximately 7.0%. The annual disposable income per capita of urban residents recorded at approximately RMB37,022.0 in 2017, representing a CAGR of approximately 5.5% between 2011 and 2017.

5.1.2 Relevant government policies

The documents released by the People's Government of Tianjin in March 2017 listed the details of purchase restrictions on commodity residential properties in Tianjin. The following table sets out major restriction policies implemented in Tianjin:

Subject	Policy
Non-resident family with one residential property in Tianjin/Resident family with two or more residential properties in Tianjin/Single adult with one residential property in Tianjin	Not allowed to purchase any residential property in Tianjin
Non-resident individual or family without residential property in Tianjin	Allowed to purchase a residential property in Tianjin after paying more than 2 years of social insurance in Tianjin or providing a proof of paying more than 2 years individual income tax in Tianjin, with minimum down payment of 40% of total consideration.
Land supply	Limit the maximum land consideration
Unit price	Necessary price guidance will be carried out when the average selling price of the declared new commodity residential project is significantly higher than the historical transaction price of the subject development or that of surrounding similar developments.

Source: The People's Government of Tianjin

5.1.3 Property market overview

Real estate investment in Tianjin soared between 2011 and 2017. According to the data released by the Statistics Bureau of Tianjin, the total real estate investment of commodity properties increased from approximately RMB108.0 billion in 2011 to approximately RMB223.3 billion in 2017, representing a CAGR of approximately 12.9%.

The total GFA of commodity properties completed amounted to approximately 20.2 million sq.m. in 2017, while the total GFA of commodity under construction was approximately 88.0 million sq.m.. Selling activities in the property market remained stable, with the total GFA of commodity properties sold amounted to approximately 14.8 million sq.m. in 2017.

Property prices trended upwards, with the average selling price of commodity properties increased from approximately RMB8,744.8 per sq.m. in 2011 to approximately RMB15,331.4 per sq.m. in 2017, representing a CAGR of approximately 9.8% between 2011 and 2017.

Tianjin is a city that an increasing number of developers conduct business in. Well-known domestic property developers including R&F Properties (富力地產), Evergrande (恒大集團) and Sunac China (融創集團) have established strong presence in Tianjin. Our Group is not one of the top ten property developers in Tianjin in terms of residential GFA available for sale in 2017.

6. OVERVIEW OF THE PROPERTY MARKET IN HENAN PROVINCE

6.1 Henan

6.1.1 Economic overview

Henan is located in the middle eastern part of China. By the end of 2017, Henan has a population of approximately 95.6 million and an urbanisation rate of approximately 50.2%. It is one of the most populous provinces in China, ranked the third after Guangdong and Shandong. As a result of the accelerated urbanisation, the real GDP growth stayed strong between 2011 and 2017, which was over approximately 8.0% per year before 2017 and approximately 7.8% in 2017. There was a significant increase in fixed asset investments during previous years, with approximately RMB1,777.1 billion in 2011 and approximately RMB4,389.0 billion in 2017, representing a CAGR of approximately 16.3%.

6.1.2 Relevant government policies

The guidelines of promoting the steady and healthy development of the real estate market in Henan issued by the Housing and Urban Construction Bureau of Henan in 2017, listed out several principles. Individuals who do not own any property are allowed to apply for a down payment ratio of 30% or below, together with the maximum interest rate discount of 30% on the benchmark interest rate.

The housing provident fund of all members of a family can be withdrawn for home purchasing. In addition, the cross-city recognition of housing provident funds within the province has also been promoted.

6.1.3 Property market overview

Real estate investments in Henan grew at a double-digit rate over the past seven years, and reached a CAGR of approximately 18.0% from 2011 to 2017. According to the data released by the Henan Province Bureau of Statistics, the total real estate investment increased from approximately RMB262.7 billion in 2011 to approximately RMB709.0 billion in 2017.

In 2017, the total GFA of commodity properties sold amounted to approximately 133.1 million sq.m., representing a CAGR of approximately 13.4% from 2011 to 2017. The average selling price of commodity properties rose from approximately RMB3,500.8 per sq.m. in 2011 to approximately RMB5,354.9 per sq.m. in 2017, representing a CAGR of approximately 7.3%.

7. OVERVIEW OF PROPERTY DEVELOPMENT COSTS

Land costs and construction costs are the major cost components of a development project. Such costs are key factors to affecting the selling prices of the properties upon completion.

7.1 Land costs

7.1.1 The PRC

The statistics by Land Resources Administrative Bureau of the PRC revealed that the state-owned construction land supplied in 2017 was approximately 60.3 hectare, increased by approximately 13.5% compared with that in 2016. The state-owned construction land granted in 2017 was approximately 22.5 hectare at a total contracted land premium of approximately RMB4,990.0 billion, which increased by approximately 8.3% and approximately 40.2%, respectively, as compared with last year.

As of the end of 2017, the averaged site unit value of the nation's 105 major cities saw faster pace of increases, with the averaged site unit value of land for composite, commercial, residential and industrial use at approximately RMB4,083 per sq.m., RMB7,251 per sq.m., RMB6,522 per sq.m. and RMB803 per sq.m., respectively. This indicated an increase of approximately 3.5%, 2.3%, 5.2%, and 1.3%, respectively, in the same period over last year.

According to the national land price index released by the MLR, the overall land price index increased from approximately 193 in 2011 to approximately 281 in 2017, while the residential land price index increased from approximately 224 in 2011 to approximately 347 in 2017.

The following table sets out the national land price index from 2011 to 2017:

	2011	2012	2013	2014	2015	2016	2017
Overall	193	200	218	234	244	261	281
YoY growth rate	6.6%	3.6%	9.0%	7.3%	4.3%	7.0%	7.7%
Residential	224	231	257	272	285	314	347
YoY growth rate	7.2%	3.1%	11.3%	5.8%	4.8%	10.2%	10.5%

Source: MLR and Colliers Consultancy

7.1.2 Huizhou

In Huizhou, a total of 257 parcels of land was transacted in 2017, involving a total site area of approximately 13.8 million sq.m.. The total consideration of land sale transaction was approximately RMB15.9 billion in 2017, increased by approximately 87.1% YoY. The average land accommodation value was recorded at approximately RMB1,155.9 per sq.m.. This indicated an increase of approximately 26.8%, compared with 2016. The land accommodation value represents land cost per the maximum GFA allowed to be built on a specific piece of land.

The following table sets out the land price trend analysis of Huizhou from 2011 to 2017:

	2011	2012	2013	2014	2015	2016	2017	CAGR (2011–2017)
No. of transactions	387	349	355	343	235	240	257	–6.6%
Consideration (RMB billion)	9.3	10.1	10.9	9.7	6.5	8.5	15.9	9.4%
Site area (million sq.m.)	15.5	10.9	15.6	8.6	6.9	5.9	7.4	–11.6%
Planned GFA (million sq.m.)	28.3	23.1	19.4	15.6	11.7	9.3	13.8	–11.3%
Average accommodation value (RMB/sq.m.)	326.8	438.8	563.6	622.6	553.3	911.3	1,155.9	23.4%

Source: CREIS

There were 20 and 29 land parcels for residential use with a site area of not less than 30,000 sq.m. and a maximum GFA of not less than 60,000 sq.m. sold by the local government of Huizhou in 2016 and 2017, respectively. According to the "Supply Plan of Residential Lands from 2017 to 2019" issued by Land and Resources Bureau of Huizhou, the supply of residential land parcels in Huizhou will be approximately 8,870,000 sq.m. from 2018 to 2019.

7.1.3 Tianjin

In Tianjin, a total of 300 parcels of land was transacted in 2017, involving a total site area of approximately 19.8 million sq.m.. The total consideration of land sale transaction was recorded at approximately RMB122.8 billion in 2017, decreased by approximately 11.6% YoY. The average land accommodation value was approximately RMB4,952.0 per sq.m.. This indicated an increase of approximately 19.6%, as compared with 2016.

The following table sets out the land price trend analysis of Tianjin from 2011 to 2017:

	2011	2012	2013	2014	2015	2016	2017	CAGR (2011–2017)
No. of transactions	957	954	726	598	417	401	300	–17.6%
Consideration (RMB billion)	82.7	64.7	80.5	80.4	60.1	138.9	122.8	6.8%
Site area (million sq.m.)	60.9	52.8	39.3	36.3	19.0	26.1	19.8	–17.1%
Planned GFA (million sq.m.)	73.2	60.1	46.1	40.1	22.1	33.5	24.8	–16.5%
Average accommodation value (RMB/sq.m.)	1,131.1	1,074.8	1,738.4	1,999.4	2,723.5	4,139.8	4,952.0	27.9%

Source: CREIS

There were 79 and 71 land parcels for residential use with a site area of not less than 30,000 sq.m. and a maximum GFA of not less than 60,000 sq.m. sold by the local government of Tianjin in 2016 and 2017, respectively. According to the "Supply Plan of Residential Lands (2017 to 2019) and (2017 to 2021)" issued by Tianjin Municipal Bureau of Land Resources and Housing Administration, the supply of residential land parcels in Tianjin will be approximately 25,790,000 sq.m. from 2017 to 2019 and approximately 38,000,000 sq.m. from 2017 to 2021.

7.1.4 Henan

In Henan, the total consideration of land sale transaction was approximately RMB45.3 billion in 2016, increased by approximately 128.8% YoY.

In Zhumadian, a total of 333 parcels of land was transacted in 2017, involving a total site area of approximately 10.0 million sq.m.. The total consideration of land sale transaction was recorded at approximately RMB10.5 billion in 2017. The average land accommodation value was approximately RMB529.0 per sq.m.. This indicated a CAGR of approximately 9.7% from 2011 to 2017.

The following table sets out the land price trend analysis of Zhumadian from 2011 to 2017:

	2011	2012	2013	2014	2015	2016	2017	CAGR (2011–2017)
No. of transactions	138	266	327	253	235	239	333	15.8%
Consideration (RMB billion)	2.2	3.6	3.6	2.9	2.3	3.7	10.5	29.8%
Site area (million sq.m.)	3.6	7.0	7.9	9.3	5.3	5.9	10.0	18.7%
Planned GFA (million sq.m.)	7.2	13.6	13.7	14.4	8.9	11.5	19.9	18.3%
Average accommodation value (RMB/sq.m.)	303.6	262.3	264.0	198.9	255.4	321.6	529.0	9.7%

Source: CREIS

There were 29 and 77 land parcels for residential use with a site area of not less than 30,000 sq.m. and a maximum GFA of not less than 60,000 sq.m. sold by the local government of Henan in 2016 and 2017, respectively. According to the "Urban Planning of Zhumadian (2010–2030)" issued by The People's Government of Zhumadian, the supply of construction land parcels in Zhumadian will be approximately 17,700,000 sq.m. from 2015 to 2020 and approximately 34,800,000 sq.m. from 2020 to 2030.

7.2 Construction and installation costs

7.2.1 The PRC

The urbanisation process has become one of the main forces driving the construction sector in China. Construction costs have seen increasing slowly since the second half of 2012. However, the construction costs decreased between 2015 and 2016. Construction costs have regained momentum since the second half of 2016, which resulted in a YoY growth of approximately 10.8% and 8.1% in the first half of 2017 and 2018 respectively. Such growth was attributable to the increase in infrastructure and real estate investments. It was the government's initiatives to push fiscal stimulus in a form of infrastructure investment.

The following table sets out the average construction and installation costs of the PRC from the second half of 2012 to the first half of 2017 and 2018 respectively:

	H2 2012	H1 2013	H2 2013	H1 2014	H2 2014	H1 2015	H2 2015	H1 2016	H2 2016	H1 2017	H2 2017	H1 2018
High-rise residential property (RMB per sq.m.)	1,774	1,811	1,835	1,839	1,817	1,791	1,758	1,783	1,816	1,937	2,017	2,068
Mid-rise residential property (RMB per sq.m.)	1,570	1,591	1,639	1,637	1,654	1,629	1,599	1,571	1,659	1,748	1,826	1,891
Multi-storey residential property (RMB per sq.m.)	1,284	1,281	1,339	1,350	1,362	1,354	1,369	1,331	1,431	1,499	1,568	1,638

Remarks: High-rise residential building: 10 storeys or above
Mid-rise residential building: 7–9 storeys
Multi-storey residential building: 4–6 storeys

Source: China Engineering Cost Network

8. COMPETITION AND OUTLOOK

In recent years, an increasing number of property developers have entered into the property development industry in the cities where our Group has developments. This resulted in increasing competition in such markets. On the other hand, the central government and local governments have implemented different policies and restrictions to curtail the fast growing momentum of the property market. These have created challenges to the property developers in the PRC. The major entry barriers of the PRC property development industry include the local market knowledge, the brand penetration in the local markets and the large financial commitment for acquisition of land.

Our Group has diversified its products to meet market needs. Our Group has developed different types of apartment units such as (i) "duplex", which is an apartment spreading over two storeys within a multi-storey residential property; and (ii) "duplex-on-duplex", which is an apartment spreading over two storeys within a four-storey villa; and also developed a mobile-phone application to improve the conveniences of living of our customers.

Since our Group has solid local market knowledge and experience in property development, a reputable brand name in the local markets, strategically located land bank in Huizhou, which is in the Greater Bay Area, and locations in the PRC which we consider with potential growth, we believe that our Group will be able to deal with the challenges effectively in the PRC property development industry.

We have observed sustainable upward trend in the property market of the PRC due to local economic growth, rising disposable income and speeding up of the urbanisation process. The improved infrastructure connectivity among different cities of the PRC, particularly the continuous expansion of high speed railway network, will boost the economies of such areas, from property development, tourism to logistics, which will also encourage deeper intra-cities integration and bridge the gap in development levels between the cities.

8.1 Our land bank in Huizhou, Tianjin and Henan

As advised by the Group, by the end of September 2018, our Group has land reserves with a total site area of approximately 207,000 sq.m. in Huizhou city and approximately 106,000 sq.m. in Zhumadian, respectively. The land reserves will support future developments with a total GFA of approximately 772,000 sq.m. in Huizhou and approximately 89,000 sq.m. in Zhumadian, respectively. A sufficient amount of land bank can enhance the competitiveness of a property developer in the market.

8.2 Development potential of Huizhou in the Greater Bay Area

Huizhou is situated at the northeastern part of the Greater Bay Area and at the same time located at the north of Shenzhen and the east of Guangzhou and Dongguan. With the upcoming infrastructure improvement in the Greater Bay Area, Huizhou will be the interchange hub of Ganshen High Speed Train Line and Guangshan High Speed Train Line by 2021. With the opening of Guangzhou-Shenzhen Hong Kong Express Rail Link in September of 2018, it takes about 50 minutes travelling time from Huizhou to Hong Kong. Upon completion of the infrastructure projects of the Greater Bay Area, the cross-city travelling time from Huizhou to other cities in the Greater Bay Area will be limited to approximately one hour. Within the one-hour living zone, it is expected that the cities sharing the same border with Huizhou, including Guangzhou, Dongguan and Shenzhen, will become the direct catchment areas of the real estate market of Huizhou. The indirect catchment areas will include other cities of the Greater Bay Area with a travelling time of more than 30 minutes. The direct catchment areas including Huizhou itself by the end of 2017 had a total population of approximately 35.0 million, while that of the indirect catchment areas was recorded at approximately 34.5 million.

The average selling prices of first-hand commodity properties in the PRD Economic Zone ranged from approximately RMB6,783.0 per sq.m. to approximately RMB54,059.0 per sq.m. in 2017, with Shenzhen ranked the first and Huizhou ranked the sixth. Huizhou is a lower tier city in terms of housing price among the Greater Bay Area, so there is still a potential of future growth of the housing price in Huizhou among cities in the Greater Bay Area amid the infrastructure and accessibility improvement.

Huizhou is aimed to be developed into a hub of innovation and technology, and is positioned as a hi-tech conversion area. Tonghu Ecological Intelligent Zone has been planned to be the "Silicon Valley" in the Guangdong. The local government has announced the plan for the development of innovation zone, education and technology zone, international cooperation zone and big data industrial park in Tonghu area. By the end of 2016, the population in this area was approximately 34,000. According to government plan, the population of Tonghu Ecological Intelligent Zone is expected to reach approximately 170,000 by the end of 2020, representing an increase of approximately four times as compared in 2016. By the end of 2020, 2025 and 2030, the GDP of Tonghu Ecological Intelligent Zone is expected to be approximately RMB25 billion, RMB60 billion and RMB100 billion respectively, representing a CAGR of approximately 19.4% from 2017 to 2030 as compared to the GDP of approximately RMB10 billion in 2017. With the foreseeable population growth and economic boost, the outlook of the property market of this district is positive.

In terms of Huizhou, according to government's plan, the GDP of Huizhou will be approximately RMB500 billion by the end of 2022, representing a CAGR of approximately 5.5% from 2017 to 2022. The population will approach approximately 5 million by the end of 2020, representing a CAGR of approximately 23.3% from 2017 to 2020. The urbanisation rate will increase from approximately 56% in 2017 to approximately 65% by the end of 2020.

Set below is a summary of the most significant PRC laws and regulations in relation to the business and operation of our Company.

THE ESTABLISHMENT OF REAL ESTATE DEVELOPMENT ENTERPRISES

Establishment of a real estate development enterprise

In accordance with the Urban Real Estate Administration Law (中華人民共和國城市房地產管理法) on 5 July 1994 and effective on 1 January 1995, as amended on 30 August 2007 and 27 August 2009 respectively, real estate development enterprises are defined as the enterprises that engage in real estate development and operation for the purpose of making profits. In accordance with the Development Regulations, the establishment of a real estate development enterprise shall, in addition to the conditions for the enterprise establishment prescribed by relevant laws and administrative regulations, fulfil the following conditions: (i) the registered capital shall be RMB1 million or above; (ii) the enterprise shall have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate.

However, the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) issued by the State Council on 25 May 2009 has reduced the requirement on the minimum capital for social welfare housing and general commercial residence from 35% to 20%, while the requirement on the minimum capital ratio for other real estate projects has been reduced to 30%. Under the Notice on Adjusting and Perfecting the System of Capital Fund for Fixed Assets Investment (國務院關於調整和完善固定資產投資項目資本金制度的通知) issued by the State Council on 9 September 2015, the minimum portion of capital funding for social welfare housing and general commercial residence maintained at 20%, while the minimum portion of capital funding for other real estate projects has been reduced from 30% to 25%.

Foreign investment in real estate development

On 28 June 2017, the MOFCOM and the NDRC promulgated the Catalogue of Industries for Guiding Foreign Investment (2017 Revision) (外商投資產業指導目錄(2017年修訂)), or the Catalogue 2017, which came into force on 28 July 2017 and was further amended by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018) promulgated on 28 June 2018. and removes the real estate development from the prohibited list for access of foreign investments and applies the unified restrictive measures for construction of golf courses and villas to domestic and foreign investment.

On 11 July 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the State Administration for Industry and Commerce (國家工商行政管理總局) (the "**SAIC**") and the SAFE jointly issued the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於規範房地產市場外資准入和管理的意見) which provides that: (i) foreign organisations and individuals who have established foreign-invested enterprises are allowed to invest in and purchase properties not for their own use in China following the principle of "commercial existence"; (ii) the registered capital of foreign-invested real estate enterprises with the total investment amount exceeding or equal to US$10 million shall be no less than 50% of their total investment; (iii) foreign-invested real estate enterprises can apply for renewing the official foreign-invested enterprise approval certificate and business license with an operation term of one year only after they have paid back all the land premium and obtained the state-owned land use rights certificate afterwards; (iv) with respect to equity transfer and project transfer of a foreign-invested real estate enterprise and the merger and acquisition of a domestic real estate enterprise by an overseas investors, the department in charge of commerce and other departments shall conduct examination and approval in strict compliance with the provisions of the relevant laws, regulations, and policies. The investor concerned shall submit a letter of guarantee on its promise to perform the state-owned land grant contracts (國有土地使用權出讓合同), the construction land planning permit (建設用地規劃許可證), the construction works planning permit (建設工程規劃許可證) etc., and shall submit the state-owned land use rights certificate (國有土地使用證), the documents certifying that the change of registration has been filed with the relevant department in charge of construction (real estate) for record, and the certification materials issued by the relevant taxation authority on the tax payment in relevance. Further, foreign investors shall pay off all considerations for the transfer in a lump sum with their own funds within three months after the issuance of the new business licence of the effective date of the equity transfer agreement if they acquire Chinese real estate enterprises or any equity interest held by Chinese parties in Sino-foreign joint venture engaged in real estate industry.

On 19 August 2015, the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the Circular on Amending the Policies Concerning Access by and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知) (the "**Circular**"), according to which, the requirements for the registered capital of foreign-invested real estate enterprises shall be subject to the Provisions in the Provisional Regulations of the State Administration for Industry and Commerce on the Proportion of Registered Capital to Total Amount of Investment of a Sino-Foreign Equity Joint Ventures (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定) promulgated and effective on 17 February 1987; the requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for domestic or foreign loans or foreign exchange loan settlement is cancelled.

On 18 June 2008, the MOFCOM issued the Notice Regarding the Registration of Foreign-Invested Real Estate Industry (商務部關於做好外商投資房地產業備案工作的通知) (the "**Circular 23**"), which became effective on 1 July 2008 and requires that registration and filing of foreign invested real estate enterprises shall be preliminarily examined by the provincial branch of the MOFCOM before submitting to the MOFCOM for registration.

On 6 November 2015, the MOFCOM and the SAFE jointly issued the Circular on Further Improving the Registration of Foreign Investments in Real Estate (關於進一步改進外商投資房地產備案工作的通知), which simplifies the administrative procedures for, and improves the management of, foreign-invested real estate enterprises. In accordance with such circular, the local departments in charge shall approve the establishment and any corporate changes of foreign-invested real estate enterprises in accordance with the laws and statutes regarding foreign investment and furnish information on real estate projects that such enterprises developed in the foreign investment information system of the

MOFCOM. In addition, the public registration on the website of MOFCOM is cancelled. Furthermore, the MOFCOM will randomly select foreign-invested real estate enterprises for examinations on a quarterly basis.

QUALIFICATIONS OF REAL ESTATE DEVELOPERS

In accordance with the Development Regulations, a real estate development enterprise shall, within 30 days starting from the date of obtainment of the business licence, file the relevant documents with the competent department of real estate development of the place where the registration authority is located. The competent department of real estate development shall, on the basis of the assets, specialised technical personnel and development and management performance, verify the level of qualification of the real estate enterprises. The real estate enterprises shall, in accordance with the verified level of qualification, undertake corresponding real estate development projects.

Pursuant to the Regulations on Administration of Qualification of Real Estate Development Enterprises (房地產開發企業資質管理規定) (the "**Circular 77**") which was promulgated by the Ministry of Construction on 29 March 2000 and amended on 4 May 2015, a real estate developer shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of real estate without a qualification classification certificate for real estate development. Pursuant to the Circular 77, enterprises of various qualification levels shall engage in real estate development and management within the prescribed scope of business and shall not undertake tasks bypassing their own levels.

Enterprises engaged in real estate development are classified into four qualification levels: Level I, Level II, Level III and Level IV in accordance with their experience of real estate development, construction quality, the professional personnel they employ, and record of accident in relation to property quality etc.. The enterprises with the qualification of Level I shall go through the preliminary review conducted by the construction administration departments at the provincial level, and then apply for examination and approval of the construction administration department of the State Council. The measures of examination and approval for the enterprises with the qualification of Level II or below are formulated by the construction administration departments at the provincial level. The competent department of real estate development shall approve and issue Interim Qualification Certificate to the qualified newly established enterprises within 30 days upon receipt of the application for filing the record. The Interim Qualification Certificate shall be valid for one year. The competent department of real estate development may extend the validity of Interim Qualification Certificate according to the enterprises' actual operation conditions. However, the validity shall not be extended for more than two years. If the enterprises have not conducted any development project within a year since the date of receipt of Interim Qualification Certificate, no extension of validity shall be granted. The real estate development enterprises shall apply for the approval of qualification grading from the competent department of real estate development within one month before expiration of the Interim Qualification Certificate.

LAND USE RIGHTS FOR REAL ESTATE DEVELOPMENT

According to the currently effective Constitution of the PRC (中華人民共和國憲法) and the Land Administration Law of the PRC (中華人民共和國土地管理法), all land in the PRC is either state-owned or collectively-owned, depending on the location of the land. Where land in rural areas and suburban areas are legally collectively owned by the peasants, the State holds ownership rights. The State has the right to resume its ownership of land or the land use rights in accordance with laws if required for the public interest and compensation shall be paid by the State.

Although all land in the PRC is either state-owned or collectively-owned, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important ways being land grants from local land authorities and land transfers from land users who have already obtained land use rights.

Land grants

National Legislation

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

In May 1990, the State Council enacted the Provisional Regulations of the People's Republic of China Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例). These regulations, generally referred to as the Urban Land Regulations, formalised the process of the grant and transfer of land use rights for value.

Upon paying in full the land premium pursuant to the terms of a land use right transfer contract, a land-grantee may apply to the relevant land bureau for the land use rights certificate. In accordance with the Property Rights Law of the PRC (中華人民共和國物權法), issued on 16 March 2007 and effective on 1 October 2007, the term of land use rights for land of residential use will automatically be renewed upon expiry. The renewal of the term of land use rights for other uses shall be dealt with according to the then-current relevant laws. In addition, if the State resumes the possession of land for public interest during the term of the relevant land use rights, compensation shall be paid to the owners of residential properties and other real estate on the land and the relevant land premium shall be refunded to them by the State.

Ways of land grant

Pursuant to the Urban Real Estate Law, except for land use rights which may be obtained through allocation, land use rights for property development are obtained through the grant from government. There are two ways by which land use rights may be granted, namely by private agreement or competitive processes (i.e., tender, auction or listing at a land exchange administered by the local government).

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

On 11 May 2011, the MLR promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing-for-Bidding (關於堅持和完善土地招標拍賣掛牌出讓制度的意見), which provides stipulations to improve policies on the supply of land through public bidding, auction and listing, and strengthen the active role of land transfer policy in the control of the real estate market.

On 11 June 2003, the MLR promulgated the Regulations on Grant of State-Owned Land Use Rights by Agreement (協議出讓國有土地使用權規定) which became effective on 1 August 2003, according to which, if there is only one party interested in using the land, the land use rights (excluding profit-oriented land for commercial use, tourism use, entertainment use and commodity residential properties) may be granted by way of agreement. If two or more are interested in the land use rights to be granted, such land use rights shall be granted by means of tender, auction and listing-for-sale.

According to the Notice of the MLR on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知) promulgated by the MLR on 4 September 2003, effective from the date of promulgation, land use for luxurious commodity houses shall be stringently controlled, and applications for land use rights to build villas shall be stopped. According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (關於發佈實施《限制用地項目目錄(2012年本)》和《禁止用地項目目錄(2012年本)》的通知) promulgated by the MLR and the NDRC on 23 May 2012, the granted area of the residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) and 20 hectares for large cities and the plot ratio of the residential housing projects should not be lower than 1.0.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), jointly promulgated by the MLR, the MOF, the PBOC and China Banking Regulatory Commission (中國銀行業監督管理委員會) (the "**CBRC**") on 3 January 2018, defines "reserved land" and stipulates the administrative, regulatory and implementing procedures involved with the planning, standard, development, management and protect, supply and capital expenditure of reserved land.

Land transfer from current land users

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an assignment contract with such land user.

For real estate development projects, the Urban Real Estate Law requires that at least 25% of total amount of investment or development must have been made or completed before assignment can take place. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee of the land use rights. Relevant local governments may acquire the land use rights from a land user in the event of a readjustment of the use of land for renovating the old urban area according to city planning. The land user will then be compensated for the loss of land use rights.

DEVELOPMENT OF REAL ESTATE PROJECTS

Commencement of real estate development projects

According to the Urban Real Estate Law, those who have obtained the right of land use by way of grant for real estate development must develop the land in accordance with the land use and the construction period as prescribed in the grant contract. When the development has not started one year later than the date for starting the development as prescribed by the grant contract, an idle land fee no more than 20% of the land grant premium may be collected and when the development has not started two years later, the right to use the land may be confiscated without any compensation, except that the delays are caused by force majeure, the activities of government, or the necessary preparatory work for starting the development.

Pursuant to the Measures on Disposal of Idle Land (閒置土地處置辦法), which was promulgated on 28 April 1999 by the MLR and revised on 1 June 2012, land can be defined as idle land under any of the following circumstances:

- development and construction of the state-owned idle land is not commenced after one year of the prescribed time limit in the land use right grant contract or allocation decision; or
- the development and construction of the state-owned idle land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and

constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval.

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

Planning of real estate projects

Under the Regulations on Planning Administration regarding Granting and Transfer of State-Owned Land Use Right in Urban Area (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction in December 1992 and amended in January 2011, a real estate developer shall apply for a construction land planning permit (建設用地規劃許可證) from the municipal planning authority. After obtaining the construction land planning permit, the real estate developer shall conduct all necessary planning and design works in accordance with relevant planning and design requirements. A planning and design proposal in respect of the real estate project shall be submitted to the municipal planning authority in compliance with the requirements and procedures under the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), which was issued on 28 October 2007 and amended on 24 April 2015, and a construction works planning permit (建設工程規劃許可證) from the municipal planning authority should be obtained.

Construction work commencement permit

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

Acceptance and examination upon completion of real estate projects

Pursuant to the Development Regulations, the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction on 4 April 2000 and amended on 19 October 2009 by the MOHURD and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated and implemented by the MOHURD on 2 December 2013, upon completion of real estate development project, the real estate development enterprise shall submit an application to the competent department of real estate development of local people's government at or above county level, where the project is located, for examination upon completion of building and for filing purposes; and to obtain the Filing Form for Acceptance and Examination upon Completion of Construction Project. A real estate project shall not be delivered before passing the acceptance examination.

INSURANCE OF REAL ESTATE PROJECTS

There are no nationwide mandatory requirements in the PRC laws, regulations and government rules requiring a real estate developer to maintain insurance for its real estate projects. According to the Construction Law of the PRC (中華人民共和國建築法) promulgated by the SCNPC on 1 November 1997, effective on 1 March 1998 and amended on 22 April 2011, construction enterprises shall maintain accident and casualty insurance for workers engaged in dangerous operations and pay the insurance premium. In the Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work (建設部關於加強建築意外傷害保險工作的指導意見) promulgated by the Ministry of Construction on 23 May 2003, the Ministry of Construction further emphasised the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

REAL ESTATE TRANSACTIONS

Sale of commodity properties

Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法) (the "**Sale Measures**") promulgated by the Ministry of Construction on 4 April 2001 and became effective on 1 June 2001, the sale of commodity properties can include both sales prior to and after completion of the properties.

Pre-sale of commodity properties

Any pre-sales of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sales of Commodity Properties (城市商品房預售管理辦法) promulgated by the Ministry of Construction on 15 November 1994, as amended on 15 August 2001 and 20 July 2004 (the "**Pre-sales Measures**"). The Pre-sales Measures provide that any pre-sales of commodity properties are subject to specified procedures. If a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sales permit. Under the Pre-sales Measures and the Urban Real Estate Law, the pre-sales proceeds of commodity buildings may only be used to fund the property development costs of the relevant projects.

Sales after completion of commodity properties

Under the Sale Measures, commodity properties may be put to post-completion sale only when the following preconditions have been satisfied: (1) the real estate development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business license and a qualification certificate of a real estate developer; (2) the enterprise has obtained a land use rights certificate or other approval documents of land use; (3) the enterprise has obtained the construction works planning permit and the construction work commencement permits; (4) the commodity properties have been completed and been inspected and accepted as qualified; (5) the relocation of the original residents has been well settled; (6) the supplementary essential facilities for supplying water, electricity, heating, gas and communication shall have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified; and (7) the property management plan has been completed.

Notices on Accelerating a Stable and Healthy Development in the Real Estate Market

On 7 January 2010, the General Office of the State Council issued the Notice on Accelerating a Stable and Healthy Developments in the Real Estate Market (關於促進房地產市場平穩健康發展的通知), which stipulates:

- increase the effective supply of social security housing and ordinary commodity housing;
- reasonably steer housing consumption and suppress speculative house purchasing demand;
- strengthen risk prevention and market supervision; and
- quicken the social security comfort housing project construction.

On 17 April 2010, the State Council issued the Notice on Strictly Restraining the Excessive Growth of the Property Prices in Some Cities (關於堅決遏制部分城市房價過快上漲的通知), which requires that:

- each district and each department practically implement their duty to stabilise property prices and residential housing guarantees; and
- unreasonable housing demand should be strictly restricted and stricter differentiating credit policies should be implemented.

On 16 March 2011, the NDRC issued the Provisions on Sales of Commodity Properties at Clearly Marked Price (商品房銷售明碼標價規定), which became effective on 1 May 2011. According to the provisions, any real estate developer or real estate agency is required to mark the selling price explicitly and clearly for both newly-built and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale permit or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obligated to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marketed. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marketing, nor engage in price fraud by using false or misleading price marking methods.

On 26 February 2013, the General Office of the State Council issued the Notice on Continuing the Regulation of Real Estate Market (關於繼續做好房地產市場調控工作的通知) which is intended to strictly enforce regulatory and macro-economic measures to maintain a healthy property market, which include, among other things, (i) home purchase restrictions; (ii) increased down payment requirement for second residential properties purchase; (iii) suspending mortgage financing for third or more residential-properties purchase; and (iv) 20% individual income tax rate applied to the gain from the sale of properties.

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

According to the Notice on Certain Matters Concerning Individual Housing Loan Policies (關於個人住房貸款政策有關問題的通知) promulgated by the PBOC, the MOHURD and the CBRC on 30 March 2015 and effective on the same date, and the Notice on Adjusting the Business Tax Policies Concerning Transfer of Individual Housing (關於調整個人住房轉讓營業稅政策的通知) promulgated by the MOF and State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) (the "**SAT**") on 30 March 2015, and effective on 31 March 2015, where a household, which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to above 40% of the property price. The actual down payment ratio and loan interest rate should be determined by the banking financial institution concerned based on the borrower's credit record and financial condition. For working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first home, the minimum down payment shall be 20% of the house price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply for the housing provident fund loans for the purchase of an ordinary residential house as their second property to improve their housing conditions, the minimum down payment shall be 30% of the property price. In addition, where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years is not subject to such business tax.

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

On 30 March 2015, the MOF and the SAT jointly issued the Notice on Adjusting the Business Tax Policies Concerning Transfer of Individual Housing (關於調整個人住房轉讓營業稅政策的通知), effective on 31 March 2015, which provides that where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax.

On 17 February 2016, the MOF, the SAT and the MOHURD jointly issued the Notice on Adjusting the Preferential Policies on Deed Tax and Business Tax during Real Estate Transactions (財政部、國家稅務總局、住房城鄉建設部關於調整房地產交易環節契稅、營業稅優惠政策的通知), effective on 22 February 2016, which provides that: (1) the purchase of a property by an individual as the only house for his/her family (covering the purchaser and the spouse and minor children thereof) is subject to deed tax at a reduced rate of 1% if the area of the house is 90 sq.m. or less, or 1.5% if the area is over 90 sq.m.; and (2) the purchase of a second house by an individual for making house improvements for his/her family is subject to deed tax at a reduced rate of 1% if the area of the house is 90 sq.m. or less, or 2% if the area is over 90 sq.m.. Meanwhile, the Notice specifies that the sale of a house that has been purchased by an individual for less than two years is subject to business tax at a full rate; and the sale of a house that has been purchased by an individual for two years or more is exempted from business tax. In addition, the Notice stresses that certain preferential business tax policies shall not apply to Beijing Municipality, Shanghai Municipality, Guangzhou City and Shenzhen City for the time being.

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

On 8 April 2017, Huizhou Municipal People's Government Office promulgated the Notice on Further Enhancing the Supervision and Management Work of the Real Estate Market in Our City (關於進一步完善我市房地產市場監督管理工作的通知). From 9 April 2017 onwards, all newly purchased commodity housing (including newly built commodity housing and second-hand housing) must only be transferred after three years from the date of obtaining the real estate title certificate (不動產權證).

On 31 March 2017, Tianjin Municipal People's Government General Office promulgated the Opinions on the Implementation of Further Adjustments towards the Real Estate Market of Tianjin City (關於進一步深化我市房地產市場調控工作的實施意見) Jin Zheng Ban Fa [2017] no. 48, with effect from 1 April 2017, which specifies further restrictions on the purchase of regional housing: (i) restrictions to purchase additional newly built or second-hand commodity properties in Tianjin (apart from Binhai New Area) by (a) local residential families without household registration in Tianjin owning one housing unit or more; (b) local families with the household registration and owning two housing units or more; and (c) adult single persons (including non-married and divorced persons) owning one housing unit or more; and (ii) requirement of local families without household registration in Tianjin to provide payment records regarding social insurance and tax in Tianjin for more than two consecutive years within the past three years in order to purchase housing in Tianjin (records of social insurance or income tax payments in arrears would not be accepted as valid evidence for purchasing properties).

Save as disclosed above regarding the purchase restrictions imposed in Tianjin, sale of properties in Huizhou in Guangdong Province and Zhumadian in Henan Province were not subject to any purchase restriction policies imposed by the relevant PRC authorities as at the Latest Practicable Date.

Mortgage of properties

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

Lease of properties

Both the Urban Land Regulations and the Urban Real Estate Law permit the leasing of granted land use rights and of the buildings or houses erected on the land. On 1 December 2010, the MOHURD promulgated the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) (the "**New Lease Measures**"), which become effective on 1 February 2011. Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after the execution of lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB10,000. According to the Urban Real Estate Law, rental income derived from any building situated on allocated land, or land which the landlord has acquired only allocated land use rights, shall be turned over to the State. Under the Contract Law of the PRC (中華人民共和國合同法) promulgated by the NPC on 15 March 1999, the term of a leasing contract shall not exceed 20 years.

REAL ESTATE REGISTRATION

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

REAL ESTATE FINANCING

Loans to real estate development enterprises

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

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

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

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

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

From October 2008 to November 2010, the general office of CBRC issued several regulatory notices in relation to real estate activities conducted by Trust Financing Companies, including a Circular on Relevant Matters Regarding Strengthening the Supervision of the Real Estate and Securities Businesses of Trust Companies (關於加強信託公司房地產、證券業務監管有關問題的通知), pursuant to which Trust Financing Companies are restricted from providing trust loans, in form or in nature, to property projects that have not obtained the requisite land use rights certificates, construction land planning permits, construction works planning permits and construction work commencement permits and the property projects of which less than 35% of the total investment is funded by the property developers' own capital. Under the Notice on Adjusting and Perfecting the System of Capital Fund for Fixed Assets Investment (國務院關

於調整和完善固定資產投資項目資本金制度的通知) issued by the State Council on 9 September 2015, the minimum portion of capital funding for social welfare housing and general commercial residence maintained at 20%, while the minimum portion of capital funding for other real estate projects has been reduced from 30% to 25%.

ENVIRONMENTAL PROTECTION

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

FIRE PREVENTION MANAGEMENT

According to the Fire Prevention of the PRC (中華人民共和國消防法) promulgated by the SCNPC on 29 April 1998 and implemented on 1 September 1998, later amended on 28 October 2008 and implemented on 1 May 2009, fire prevention facilities design and works for construction projects shall conform to the State's fire prevention technical standards for engineering construction.

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

CIVIL AIR DEFENSE PROPERTY

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

Foreign exchange registration and foreign currency exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administrative Regulations (外匯管理條例) (the "**SAFE Regulations**") which was promulgated by the State Council on 29 January 1996 and last amended on 5 August 2008. Under the SAFE Regulations, RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE is obtained.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**Circular 13**"), which was promulgated on 13 February 2015 and with effect from 1 June 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment is directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

TAXATION

Enterprise income tax

Pursuant to the Enterprises Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**") promulgated on 16 March 2007 and last amended on 24 February 2017, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) promulgated on 6 December 2007 and with effect from 1 January 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Under the EIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the unified 25% enterprise income tax rate as to their global income. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC at the tax rate of 10%.

Furthermore, pursuant to the EIT Law and the implementations, a withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, amended on 1 April 2015, and applicable in the PRC to income derived in any year of assessment commencing on or after 1 January 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds 25% or more of equity interest in that subsidiary. According to the Notice of the SAT on Issues regarding the Administration of Dividend Provisions in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated on 20 February 2009, recipients of dividends paid by PRC enterprises shall satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty. One such requirement is that the taxpayer should be the "beneficiary owner" of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to the tax treaty, such recipient shall be the direct owner of a certain portion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends. In addition, the Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties (國家稅務總局關於稅收協定中"受益所有人"有關問題的公告), promulgated by the SAT on 3 February 2018 and effective on 1 April 2018, defined a "beneficial owner" shall refer to a party who holds ownership and control over incomes or the rights or assets from which the incomes are derived. On 27 August 2015, the SAT issued the Announcement of the SAT on Promulgation of "Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties" (國家稅務總局關於發佈《非居民納稅人享受稅收協定待遇管理辦法》的公告), effective on 1 November 2015, and amended on 15 June 2018 which applies to entitlement to tax treaty benefits by non-resident taxpayers incurring tax payment obligation in the PRC.

Value-added tax

According to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) promulgated on 13 December 1993 and last amended on 19 November 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, the sale of services, intangible assets and real estate, and the importation of goods are required to pay VAT.

According to the Notice of the MOF and SAT on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知), promulgated on 23 March 2016 and effective on 1 May 2016, and amended on 11 July 2017 and 15 December 2017 respectively, upon approval by the State Council, the pilot program of replacing business tax with VAT shall be implemented nationwide effective from 1 May 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay VAT instead of business tax.

According to the appendix of this notice, entities and individuals engaging in the sale of services, intangible assets or real property within the territory of the PRC shall be the taxpayers of VAT and shall, instead of business tax, pay VAT in accordance with the Measures for Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (營業稅改徵增值稅試點實施辦法). The sale of real property and the second-hand housing transaction shall adopt this notice.

According to the Announcement of the SAT on Promulgating the Interim Administrative Measures for the Collection of Value-added Tax on the Sale of Self-developed Real Estate Projects by Real Estate Developers (國家稅務總局關於發佈《房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法》的公告) which was promulgated on 31 March 2016 and with effect from 1 May 2016, and amended on 15 June 2018, real estate developers shall pay VAT for the sales of its self-developed real estate project.

Land appreciation tax

Under the Interim Regulations on Land Appreciation Tax of the PRC (中華人民共和國土地增值稅暫行條例) promulgated by the State Council on 13 December 1993, implemented on 1 January 1994 and last amended on 8 January 2011 as well as its implementation rules issued on 27 January 1995, land appreciation tax is payable on the appreciation value derived from the transfer of land use rights and buildings or other facilities on such land, after deducting the deductible items.

Deed tax

Pursuant to the Interim Regulations of the PRC on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on 7 July 1997 and implemented on 1 October 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the SAT for record.

Urban land use tax

Pursuant to the Provisional Regulations of the PRC Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on 27 September 1988, implemented on 1 November 1988 and last amended on 7 December 2013, land use tax in respect of urban land is levied according to the area of relevant land.

Building tax

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

Stamp duty

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

LABOUR PROTECTION AND SOCIAL SECURITY

Pursuant to the Labour Law of the PRC (中華人民共和國勞動法) and the Labour Contract Law of the PRC (中華人民共和國勞動合同法) with effect from 1 January 1995 (amended on 27 August 2009) and 1 January 2008 (amended on 28 December 2012), respectively, labour contracts shall be concluded if labour relationships are to be established between the employer and the employees.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) which was promulgated on 28 October 2010 and with effect from 1 July 2011, employees shall participate in basic pension insurance, basic medical insurance schemes and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance schemes. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of the PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Pursuant to the Regulations on Management of Housing Provident Fund (住房公積金管理條例) which was promulgated on 3 April 1999 and amended on 24 March 2002, employers shall undertake registration at the competent administrative centre of housing provident fund and then, upon the examination by such administrative centre of housing provident fund, undergo the procedures of opening the account of housing provident fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.

OVERVIEW

Our Group was founded by Mr. TC Wong in 2003 in Huizhou in Guangdong Province through his own investments. Mr. TC Wong has over 15 years of experience in property investment and property development. We commenced our business in the development of affordable luxury residential complexes or integrated residential properties in Huizhou in Guangdong Province through the establishment of Huizhou China Field in April 2003 and the commencement of constructions of our first residential development project, Million Cities International (萬城國際) in Huiyang District, Huizhou in Guangdong Province. Later, we came to acquaint with our business partners in Tianjin and Zhumadian in Henan Province through Mr. TC Wong's personal network and consequently expanded our presence in Tianjin and Zhumadian in Henan Province. As of 30 September 2018, we had four completed development projects with an aggregate completed GFA of approximately 624,608.31 sq.m., eight development projects under development with an aggregate GFA under development of approximately 913,793.68 sq.m., five development projects held for future development with an aggregate planned GFA of approximately 1,081,055.00 sq.m..

Our Company was incorporated in the Cayman Islands on 15 November 2016. As part of our Reorganisation and for the purpose of Listing, our Company became the ultimate holding company of our various subsidiaries in 2018.

OUR BUSINESS MILESTONES

The following sets out our major business development milestones since our inception and up to the Latest Practicable Date:

Year	Event
2003	• Mr. TC Wong founded our Group and established Huizhou China Field
2009	• Our first residential development project, Million Cities International (萬城國際) Phase 1, was completed in Huizhou in Guangdong Province
2010	• Sunshine New Court (陽光新苑) Phase 1 completed in October
	• We established Tianjin Jianji for our development project, Million Cities Tycoon Place (萬城聚豪), a development project which marked the expansion of our business operations into Tianjin
2011	• Million Cities International (萬城國際) Phase 2 completed in December

Year	Event
2013	• Million Cities International (萬城國際) Phase 3 completed in January
2016	• Million Cities Legend (萬城名座) Phase 1 completed in July
	• Sunshine New Court (陽光新苑) Phase 2 completed in September
2017	• We commenced the constructions of Million Cities Legend (萬城名座) Phase 2 in January and Crown Grand Court (皇冠豪苑) in August
	• Million Cities Tycoon Place (萬城聚豪) Phases 1 and 2 completed in October
	• We acquired the land parcel for our development project, Dragon Palace (聚瓏灣) Phases 1 and 2, a residential development project located in Zhumadian in Henan Province in November
2018	• We commenced constructions of Dragon Terrace (玖龍台) Phase 1 in March; Million Cities Legend (萬城名座) Phase 3 and Million Cities Tycoon Place (萬城聚豪) Phase 4 in April and Dragon Palace (聚瓏灣) Phase 1 in July

OUR CORPORATE DEVELOPMENT

We set out below the corporate history and changes in registered capital of our significant subsidiaries which were material to the performance of our Group, during the Track Record Period.

Huizhou China Field

Huizhou China Field was established in the PRC as a limited liability company on 8 April 2003. It is the project company of our residential development project, Crown Grand Court (皇冠豪苑) and the holding company of investments in a series of properties. Its core business activities include property development.

The initial registered capital of Huizhou China Field was HK$25 million. It is wholly owned by China Field. Pursuant to the directors resolutions dated 23 September 2003, the registered capital of Huizhou China Field was increased to HK$68 million. The share capital increase amount was determined with reference to the face value of the registered share capital of Huizhou China Field, and all relevant governmental registrations were completed on 16 October 2003.

Huizhou Cheer Happy

Huizhou Cheer Happy was established in the PRC as a limited liability company on 6 April 2006. It is the project company of our residential development project, Million Cities International (萬城國際). Its core business activities include property development.

The initial registered capital of Huizhou Cheer Happy was US$30 million. It is wholly owned by Cheer Happy. Pursuant to the directors resolutions dated 8 October 2007, the registered capital of Huizhou Cheer Happy was decreased to US$12 million. The share capital decrease amount was determined with reference to the face value of the registered share capital of Huizhou Cheer Happy and all relevant governmental registrations were completed on 28 December 2007.

Huizhou Yuefu

Huizhou Yuefu was established in the PRC as a limited liability company on 29 April 2006. It is the project company of our residential development project, Sunshine New Court (陽光新苑). Its core business activities include property sales and development.

The initial registered capital of Huizhou Yuefu was RMB1.25 million and it was held as to 52% equity interests by Mr. Li Weiguang, an independent third party, and 48% equity interests by Mr. Chen Yongliang, an independent third party, as at the date of establishment. Pursuant to the shareholders resolutions dated 15 June 2006, Mr. Li Weiguang and Mr. Chen Yongliang transferred their respective 52% and 48% equity interests in Huizhou Yuefu to Mr. Lin Guoxian and Ms. Wang Xiaoxia, for a consideration of RMB0.65 million and RMB0.60 million, respectively. The considerations were determined with reference to the nominal value of such equity interests of Huizhou Yuefu and all relevant governmental registrations were completed on 26 June 2006.

Pursuant to the shareholders resolutions dated 28 August 2007, the registered capital of Huizhou Yuefu was increased to RMB38 million, in proportion to Mr. Lin Guoxian and Ms. Wang Xiaoxia's respective shareholdings. The share capital increase amount was determined with reference to the face value of the registered share capital of Huizhou Yuefu and all relevant governmental registrations were completed on 20 September 2007.

Pursuant to the shareholders' resolutions dated 25 June 2018, the registered capital of Huizhou Yuefu was increased to RMB396 million, with a new shareholder Million Cities Corporate Management contributing RMB358 million by way of capital injection. Upon completion of such registered capital increase, 90.404% equity interests in Huizhou Yuefu was held by Million Cities Corporate Management, 4.99% by Mr. Lin Guoxian, and 4.606% by Ms. Wang Xiaoxia. The share capital increase amount was determined with reference to the face value of the registered share capital of Huizhou Yuefu and all relevant governmental registrations were completed on 25 June 2018.

Huizhou Million Cities

Huizhou Million Cities was established in the PRC as a limited liability company on 10 May 2001. It is the project company of our residential development projects, Million Cities Legend (萬城名座) and Million Cities Royal Court (萬城君滙花園). Its core business activities include property sales and development.

The initial registered capital of Huizhou Million Cities was RMB7.5 million. It was held as to 57.8% equity interests by Mr. Liu Weito, 32.2% equity interests by Mr. Zhang Pengfei, an independent third party, and 10% equity interests by Mr. Yang Yuhua, an independent third party, as of the date of establishment. Pursuant to the shareholders resolutions dated 10 November 2004, each of Mr. Liu Weito, Mr. Zhang Pengfei and Mr. Yang Yuhua transferred 24.24%, 25.76% and 10% equity interests in Huizhou Million Cities, respectively to Shekou Construction for a consideration of RMB1.818 million, RMB1.932 million and RMB0.75 million, respectively. Upon completion of such equity transfers, Huizhou Million Cities was held as to 60% equity interests by Shekou Construction, 33.76% equity interests by Mr. Liu Weito and 6.24% equity interests by Mr. Zhang Pengfei. The considerations were determined with reference to the nominal value of such equity interests of Huizhou Million Cities and all relevant governmental registrations were completed on 30 April 2005.

On 23 December 2005, Shekou Construction transferred its 49.62% and 10.38% equity interests in Huizhou Million Cities to Mr. Liu Weito and Mr. Zhang Weidong, an independent third party, for a consideration of RMB3.7215 million and RMB0.7785 million, respectively. Upon completion of such equity interests transfers, Huizhou Million Cities was held as to 83.38% equity interests by Mr. Liu Weito, 10.38% equity interests by Mr. Zhang Weidong and 6.24% equity interests by Mr. Zhang Pengfei. The considerations were determined with reference to the nominal value of such equity interests of Huizhou Million Cities and all relevant governmental registrations were completed on 16 January 2006.

Pursuant to the shareholders resolutions dated 3 August 2006, Mr. Zhang Pengfei transferred his 6.24% equity interests in Huizhou Million Cities to Mr. Liu Weito for a consideration of RMB0.468 million. Subsequently, on 12 August 2006, Mr. Liu Weito transferred his 35% equity interests in Huizhou Million Cities to Mr. Lin Guoxian and his 19.62% equity interests in Huizhou Million Cities to Ms. Wang Xiaoxia for a consideration of RMB2.625 million and RMB1.4715 million, respectively. On the same date, Mr. Zhang Weidong transferred his 10.38% equity interests in Huizhou Million Cities to Ms. Wang Xiaoxia for a consideration of RMB0.7785 million. Upon completion of such equity transfers, Huizhou Million Cities was held as to 35% equity interests by Mr. Liu Weito, 35% equity interests by Mr. Lin Guoxian and 30% equity interests by Ms. Wang Xiaoxia. The considerations were determined with reference to the nominal value of such equity interests of Huizhou Million Cities and all relevant governmental registrations were completed on 16 August 2006.

Pursuant to the shareholders resolutions dated 3 June 2013, Mr. Lin Guoxian and Ms. Wang Xiaoxia transferred his 35% and her 30% equity interests in Huizhou Million Cities to Huizhou Cheer Happy for a consideration of RMB2.625 million and RMB2.25 million, respectively. Upon completion of such equity transfers, Huizhou Million Cities was held as to 65% equity interests by Huizhou Cheer Happy and 35% equity interests by Mr. Liu Weito. On 19 November 2013, Huizhou Cheer Happy transferred its 35% and 30% equity interests in Huizhou Million Cities to Mr. Lin Guoxian and Ms. Wang Xiaoxia for a consideration of RMB2.625 million and RMB2.25 million, respectively. The considerations were determined with reference to the nominal value of such equity interests of Huizhou Million Cities and all relevant governmental registrations were completed on 28 November 2013.

Pursuant to the shareholders resolutions dated 13 May 2014, the initial registered capital of Huizhou Million Cities was increased to RMB10.7143 million, with a new shareholder, Huizhou Cheer Happy contributed RMB3.2143 million by way of capital injections. Upon completion of such registered capital increase, Huizhou Million Cities was held as to 30% equity interests by Huizhou Cheer Happy, 24.5% equity interests by Mr. Liu Weito, 24.5% equity interests by Mr. Lin Guoxian and 21% equity interests by Ms. Wang Xiaoxia. The capital amount increase was determined with reference to the face value of the registered share capital of Huizhou Million Cities and all relevant governmental registrations were completed on 30 May 2014.

Pursuant to the shareholders' resolutions dated 22 June 2018, the registered capital of Huizhou Million Cities was increased to RMB52.5 million, with a new shareholder Million Cities Corporate Management contributing RMB22,773,200 by way of capital injection and thus holding 43.38% equity interests, Mr. Liu Weito contributing RMB10,237,500 and maintaining his 24.5% equity interests, and Ms. Wang Xiaoxia contributing RMB8,775,000 and maintaining her 21% equity interests, while the equity interests held by Mr. Lin Guoxian and Huizhou Cheer Happy was respectively reduced to 5% and 6.12%. The capital increase amount was determined with reference to the face value of the registered capital of Huizhou Million Cities and all relevant governmental registrations were completed on 22 June 2018.

Tianjin Jianji

Tianjin Jianji was established in the PRC as a limited liability company on 18 August 2010. It is the project company of our residential development projects, Million Cities Tycoon Place (萬城聚豪) and Legend Plaza (名座廣場). Its core business activities include property sales and development.

The initial registered capital of Tianjin Jianji was US$50 million. It is wholly-owned by Join Kong. Pursuant to the shareholders resolutions dated 20 August 2014, the registered capital of Tianjin Jianji was increased to US$70 million. The share capital amount increase was determined with reference to the face value of the registered share capital of Tianjin Jianji and all relevant governmental registrations were completed on 15 December 2014.

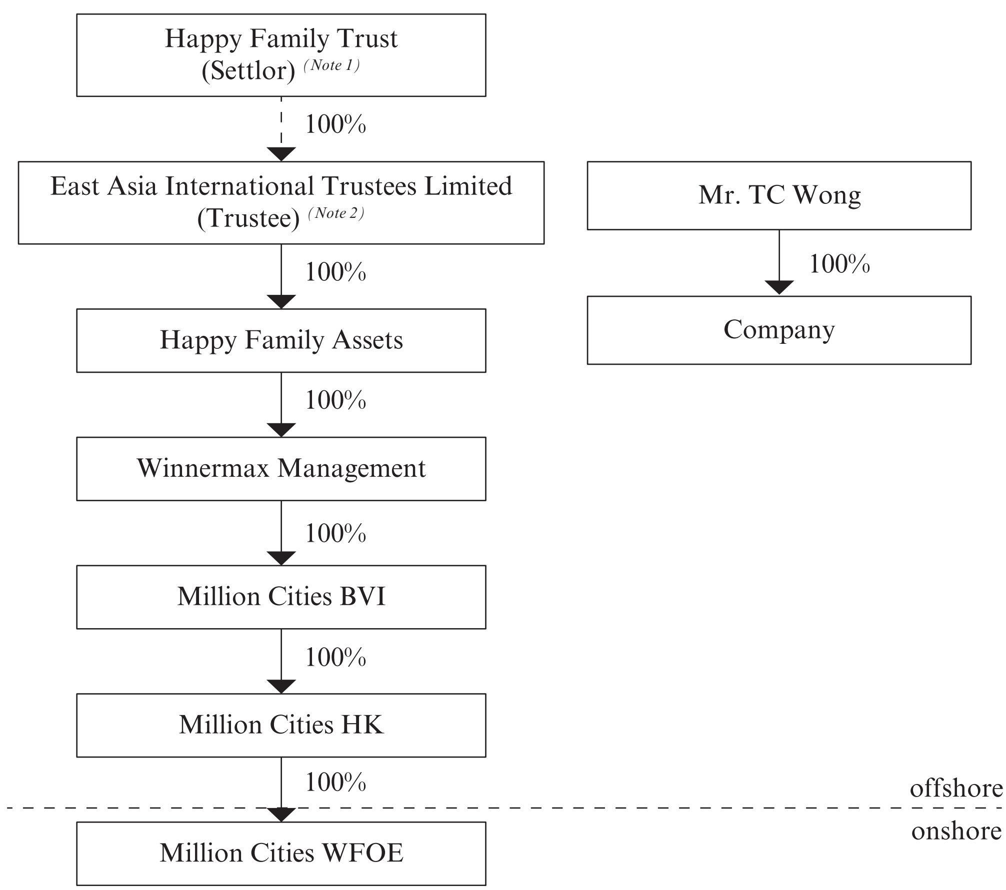
As of the Latest Practicable Date, we had completed the requisite approvals and registrations with the relevant governmental authorities in the PRC for all of the above-mentioned equity transfers, share capital amount increase and decrease and name changes.

REORGANISATION

In April 2018, we commenced our Reorganisation in preparation of the Global Offering. Prior to our Reorganisation, various companies comprising our Group were ultimately held by the Happy Family Trust for the benefit of the Wong's Family.

Prior to our Reorganisation, our business operations were principally located in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province. The following charts set forth the corporate structures of our major holding companies and our operations in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province at the beginning of the Track Record Period and immediately prior to our Reorganisation:

Corporate structure of our major holding companies:

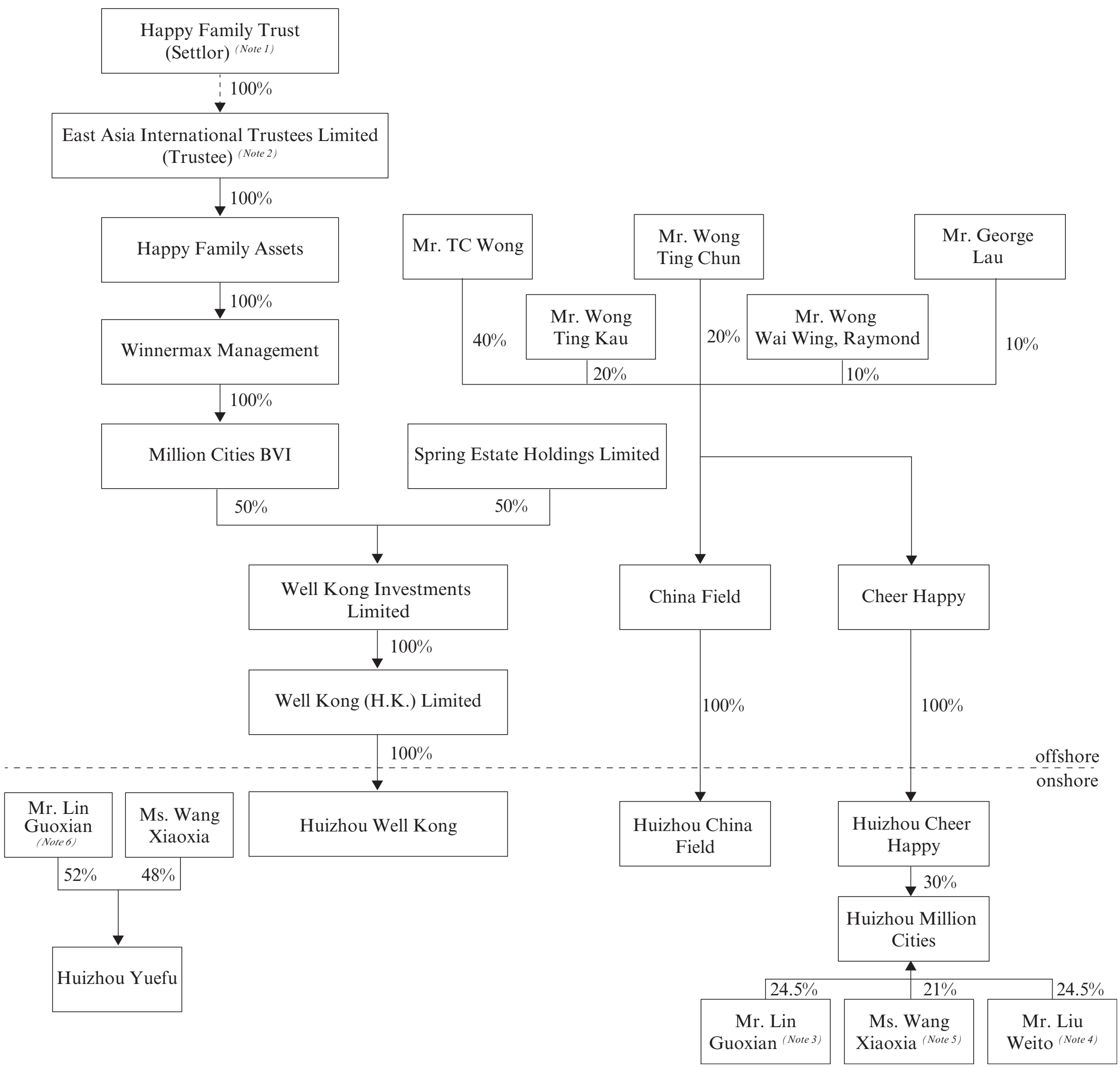


Note 1: The settlor of the Happy Family Trust is Mr. TC Wong, and the beneficiaries of the Happy Family Trust are Mr. TC Wong (who has 40% of the total interest), Mr. Wong Ting Kau, brother of Mr. TC Wong (who has 20% of the total interest), Mr. Wong Ting Chun, brother of

Mr. TC Wong (who has 20% of the total interest), Mr. Wong Wai Wing, Raymond, brother of Mr. TC Wong (who has 10% of the total interest), and Ms. Wong Wai Ling, sister of Mr. TC Wong (who has 10% of the total interest).

Note 2: East Asia International Trustees Limited is the trustee of the Happy Family Trust.

Our corporate structure in relation to our Huizhou operations in Guangdong Province:



Note 1: The settlor of the Happy Family Trust is Mr. TC Wong, and the beneficiaries of the Happy Family Trust are Mr. TC Wong (who has 40% of the total interest), Mr. Wong Ting Kau, brother of Mr. TC Wong (who has 20% of the total interest), Mr. Wong Ting Chun, brother of Mr. TC Wong (who has 20% of the total interest), Mr. Wong Wai Wing, Raymond, brother of Mr. TC Wong (who has 10% of the total interest), and Ms. Wong Wai Ling, sister of Mr. TC Wong (who has 10% of the total interest).

Note 2: East Asia International Trustees Limited is the trustee of the Happy Family Trust.

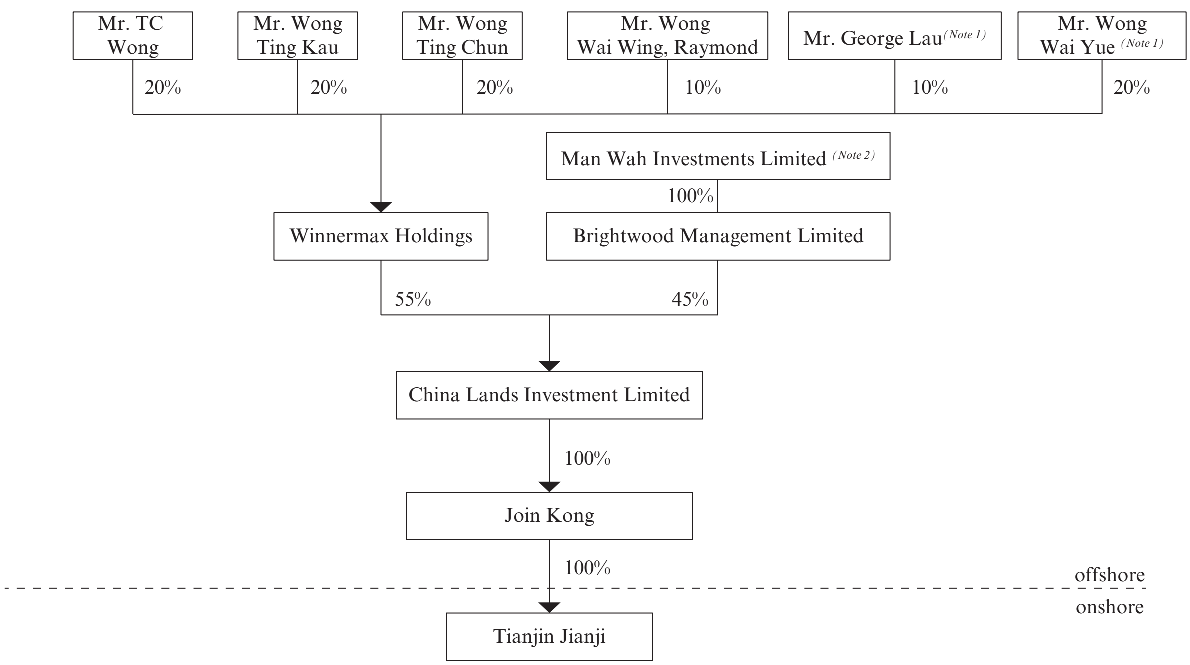
Note 3: Mr. Lin Guoxian, cousin of Mr. TC Wong and our executive Director. Prior to and throughout the Track Record Period, Mr. Lin Guoxian held 24.5% equity interests in Huizhou Million Cities as a nominee on behalf of the Wong's Family for administrative purpose. Mr. Lin Guoxian acted in accordance with the instructions of the Wong's Family with regard to such equity interests, including but not limited to voting in shareholders meetings.

Note 4: Mr. Liu Weito is a connected person of our Group for the purpose of the Listing Rules.

Note 5: Ms. Wang Xiaoxia is a connected person of our Group for the purpose of the Listing Rules.

Note 6: Prior to and throughout the Track Record Period, Mr. Lin Guoxian held 52% equity interests in Huizhou Yuefu as a nominee on behalf of the Wong's Family for administrative purpose. Mr. Lin Guoxian acted in accordance with the instructions of the Wong's Family with regard to such equity interests, including but not limited to voting in shareholders meetings.

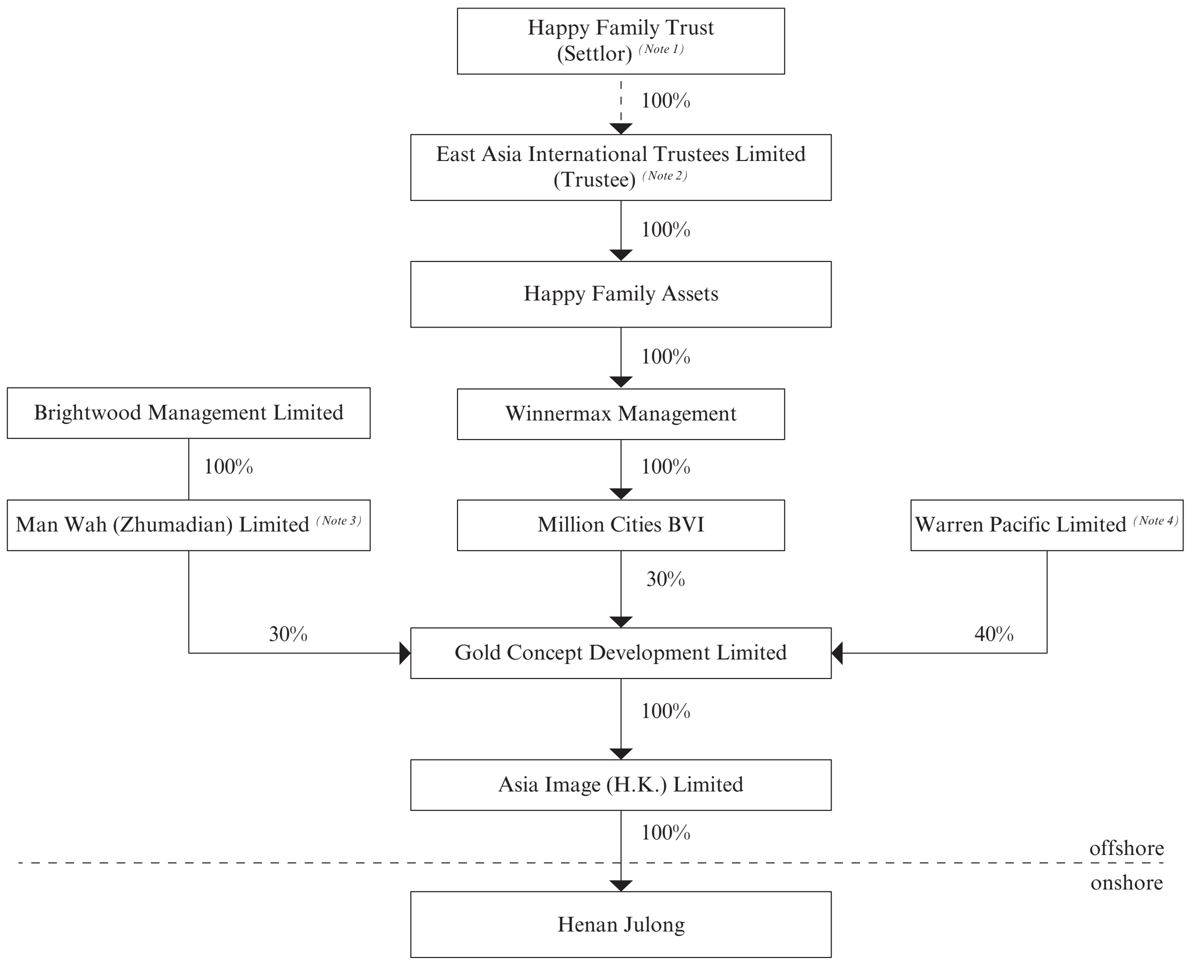
Our corporate structure in relation to Tianjin operations:



Note 1: Mr. George Lau is the spouse of Ms. Wong Wai Ling, and Mr. Wong Wai Yue is the son of Mr. TC Wong.

Note 2: Man Wah Investments Limited is a connected person of our Group at a subsidiary level for the purpose of the Listing Rules.

Our corporate structure in relation to Zhumadian operations in Henan Province:



Note 1: The settlor of the Happy Family Trust is Mr. TC Wong, and the beneficiaries of the Happy Family Trust are Mr. TC Wong (who has 40% of the total interest), Mr. Wong Ting Kau, brother of Mr. TC Wong (who has 20% of the total interest), Mr. Wong Ting Chun, brother of Mr. TC Wong (who has 20% of the total interest), Mr. Wong Wai Wing, Raymond, brother of Mr. TC Wong (who has 10% of the total interest), and Ms. Wong Wai Ling, sister of Mr. TC Wong (who has 10% of the total interest).

Note 2: East Asia International Trustees Limited is the trustee of the Happy Family Trust.

Note 3: Man Wah (Zhumadian) Limited is a wholly owned subsidiary of Brightwood Management Limited. It is a connected person of our Group at a subsidiary level for the purpose of the Listing Rules.

Note 4: Warren Pacific Limited is an independent third party.

We have carried out the following Reorganisation steps in preparation for Listing:

Incorporation of Fortune Speed and acquisition of our Company by Fortune Speed

On 30 May 2018, Fortune Speed was incorporated in the BVI by Winnermax Management. Pursuant to the written board resolutions dated 7 June 2018, Fortune Speed acquired 100% equity interests in our Company from Mr. TC Wong for a consideration of HK$0.01. The consideration was determined with reference to the nominal value of the shares of our Company and such acquisition was completed on 7 June 2018. As a result of such acquisition, our Company became a wholly owned subsidiary of Fortune Speed.

Acquisition of Million Cities BVI by Fortune Speed

Million Cities BVI was incorporated in the BVI on 4 August 2016 by Winnermax Management. Pursuant to the written board resolutions dated 8 June 2018, Fortune Speed acquired 100% equity interests in Million Cities BVI from Winnermax Management at a total consideration of US$10. The consideration was determined with reference to the nominal value of the shares of Million Cities BVI and such acquisition was completed on 8 June 2018. As a result, Million Cities BVI became a wholly owned subsidiary of Fortune Speed.

Acquisition of Million Cities BVI by our Company

On 9 June 2018, Fortune Speed transferred 100% equity interests in Million Cities BVI to our Company at a total consideration by way of issuance of 1 new Share in our Company to Fortune Speed. Such transfer was completed on 9 June 2018. As a result, Million Cities BVI became a wholly owned subsidiary of our Company.

Acquisition of Winnermax Holdings by Million Cities BVI

Prior to our Reorganisation, Winnermax Holdings was held as to 20% equity interests by Mr. TC Wong, 20% equity interests by Mr. Wong Wai Yue, son of Mr. TC Wong, 20% equity interests by Mr. Wong Ting Kau, 20% equity interests by Mr. Wong Ting Chun, 10% equity interests by Mr. Wong Wai Wing, Raymond and 10% equity interests by Mr. George Lau, spouse of Ms. Wong Wai Ling (the "**Winnermax Holdings Shareholders**"). On 10 June 2018, pursuant to the written board resolutions, the Winnermax Holdings Shareholders transferred all of their respective shareholdings in Winnermax Holdings to Million Cities BVI at a total consideration of US$10. The consideration was determined with reference to the nominal value of the shares of Winnermax Holdings and such transfer was completed on 10 June 2018. As a result, Winnermax Holdings became a wholly owned subsidiary of Million Cities BVI.

Winnermax Holdings previously held 100% and 50% direct equity interests in Good Teamco (HK) Limited and W&W Wealth Management Limited, respectively. To streamline our business structure, on 6 August 2016, Winnermax Holdings transferred its 100% equity interests in Good Teamco (HK) Limited to Winnermax Management for a total consideration of HK$1. Subsequently, on 28 March 2017, Winnermax Holdings transferred its 50% equity interests in W&W Wealth Management Limited to Plenty Asset Investment Limited for a total consideration of US$50.

Acquisition of China Field and Cheer Happy by Million Cities BVI

China Field was incorporated in Hong Kong as a limited liability company on 17 January 2003. It is held as to 40%, 20%, 20%, 10% and 10% equity interests by Mr. TC Wong, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond and Mr. George Lau, respectively (the "**China Field Shareholders**"). On 11 June 2018, pursuant to the written board resolutions, the China Field Shareholders transferred all of their respective shareholdings in China Field to Million Cities BVI at a total consideration of HK$100. The consideration was determined with reference to the nominal value of the shares of China Field and such transfer was completed on 14 June 2018.

Cheer Happy was incorporated in Hong Kong as a limited liability company on 22 April 2005. It is held as to 40%, 20%, 20%, 10% and 10% equity interests by Mr. TC Wong, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond and Mr. George Lau, respectively (the "**Cheer Happy Shareholders**"). On 12 June 2018, pursuant to the written board resolutions, the Cheer Happy Shareholders transferred all of their respective shareholdings in Cheer Happy to Million Cities BVI at a total consideration of HK$100. The consideration was determined with reference to the nominal value of the shares of Cheer Happy and such transfer was completed on 14 June 2018.

Subscription of Huizhou Yuefu's increased registered capital by Million Cities Corporate Management

Huizhou Yuefu was established in the PRC as a limited liability company on 29 April 2006. Prior to our Reorganisation, it was held as to 52% equity interests by Mr. Lin Guoxian and 48% equity interests by Ms. Wang Xiaoxia. Million Cities Corporate Management was established in the PRC as a limited liability company on 31 May 2018. It is wholly owned by Million Cities WFOE with a registered capital of RMB10 million.

Pursuant to the written shareholders resolutions dated 25 June 2018, the registered capital of Huizhou Yuefu was increased to RMB396 million. Million Cities Corporate Management agreed to subscribe for the capital amount of RMB358 million, representing approximately 90.40% of equity interests in Huizhou Yuefu. Upon completion of the capital increase, Huizhou Yuefu is held as to approximately 90.40% equity interests by Million Cities Corporate Management, approximately 4.99% equity interests by Mr. Lin Guoxian and approximately 4.61% equity interests by Ms. Wang Xiaoxia. The capital amount increase was determined with reference to the face value of the registered share capital of Huizhou Yuefu. The subscribed capital amount will be fully settled by no later than 31 December 2028.

Prior to and throughout the Track Record Period, Mr. Lin Guoxian held 52% equity interests in Huizhou Yuefu as a nominee on behalf of the Wong's Family for administrative purpose. Mr. Lin Guoxian acted in accordance with the instructions of the Wong's Family with regard to such equity interests, including but not limited to voting in shareholders meetings.

Subscription of Huizhou Million Cities' increased registered capital by Million Cities Corporate Management, Mr. Liu Weito and Ms. Wang Xiaoxia

Huizhou Million Cities was established in the PRC as a limited liability company on 10 May 2001. Prior to our Reorganisation, Huizhou Million Cities was held as to 30% equity interests by Huizhou Cheer Happy, 24.5% equity interests by Mr. Lin Guoxian, 24.5% equity interests by Mr. Liu Weito and 21% equity interests by Ms. Wang Xiaoxia. Pursuant to the written shareholders resolutions dated 22 June 2018, the registered capital of Huizhou Million Cities was increased to RMB52.5 million. Each of Million Cities Corporate Management, Mr. Liu Weito and Ms. Wang Xiaoxia agreed to subscribe for 43.38%, 24.5% and 21% in Huizhou Million Cities' registered capital increase for a total consideration of approximately RMB41.79 million. Upon completion of the subscriptions, Huizhou Million Cities is held as to 43.38% equity interests by Million Cities Corporate Management, 24.5% equity interests by Mr. Liu Weito, 21% by Ms. Wang Xiaoxia, 6.12% equity interests by Huizhou Cheer Happy and 5% equity interests by Mr. Lin Guoxian. The capital amount increase was determined with reference to the face value of the registered share capital of Huizhou Million Cities. The subscribed capital amounts will be fully settled by no later than 31 December 2028.

Prior to and throughout the Track Record Period, Mr. Lin Guoxian held 24.5% equity interests in Huizhou Million Cities as a nominee on behalf of the Wong's Family for administrative purpose. Mr. Lin Guoxian acted in accordance with the instructions of the Wong's Family with regard to such equity interests, including but not limited to voting in shareholders meetings.

Capitalisation of the Shareholders' loans

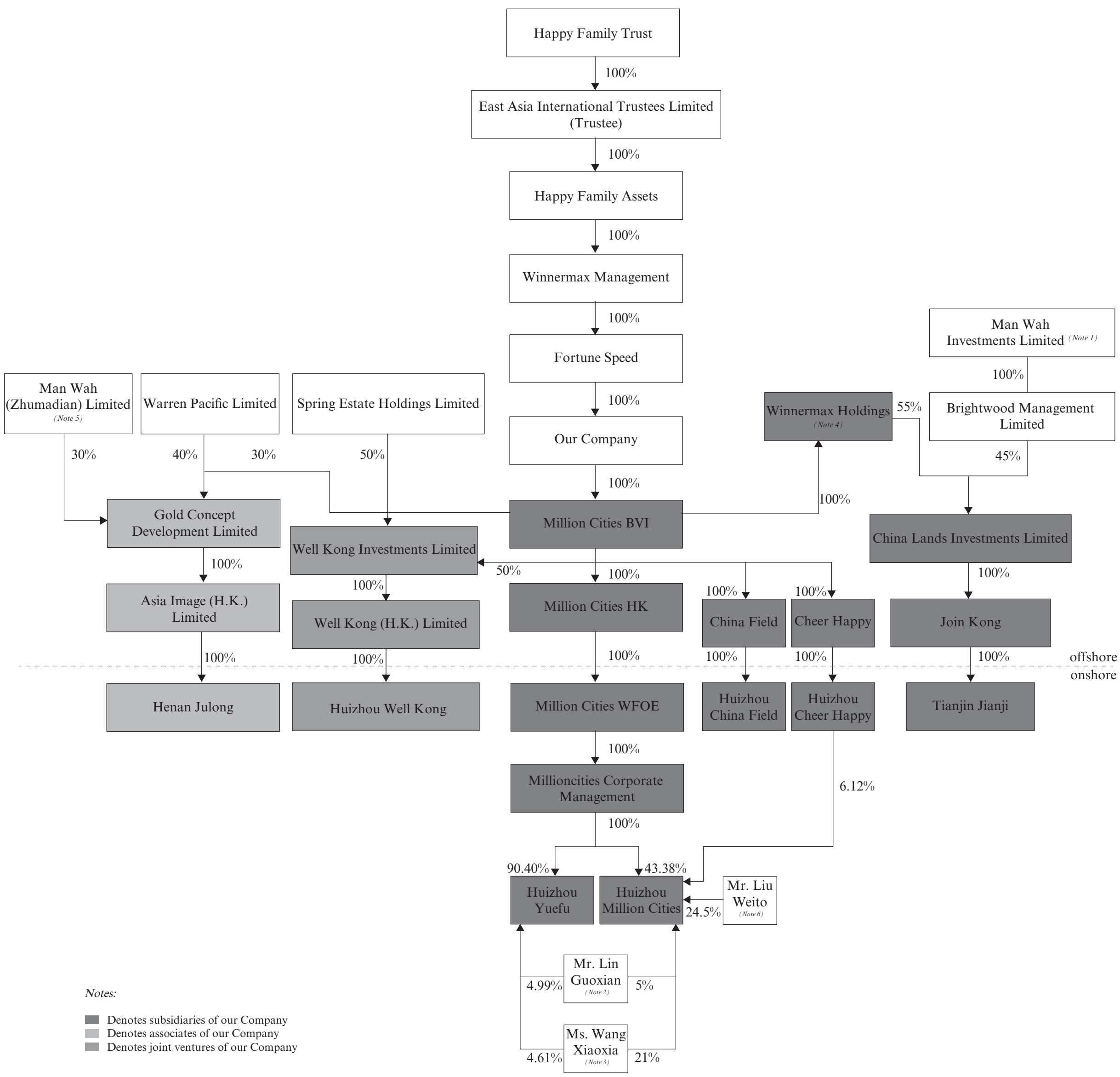
The Shareholders' loans in a total sum of HK$643,501,333.26 (HK$100,000,000.02 of which has been repaid) shall be novated from the retiring borrowers to the Company, and the remaining amount of HK$543,501,333.24 (together with the accrued interests up to the date of 31 October 2018) shall be capitalised and settled in full by the issuance of an aggregate number of 9,998 new Shares in the capital of our Company to Fortune Speed.

The above-mentioned Loan Capitalisation will be effective on the date immediately before Listing.

CORPORATE STRUCTURES

Corporate structure immediately after our Reorganisation and immediately prior to completion of the Global Offering

Our corporate and shareholding structure after our Reorganisation and immediately prior to completion of the Global Offering is as follows:



Note 1: Man Wah Investments Limited is a connected person of our Group at a subsidiary level for the purpose of the Listing Rules.

Note 2: Mr. Lin Guoxian is cousin of Mr. TC Wong and our executive Director.

Note 3: Ms. Wang Xiaoxia is a connected person of our Group for the purpose of the Listing Rules.

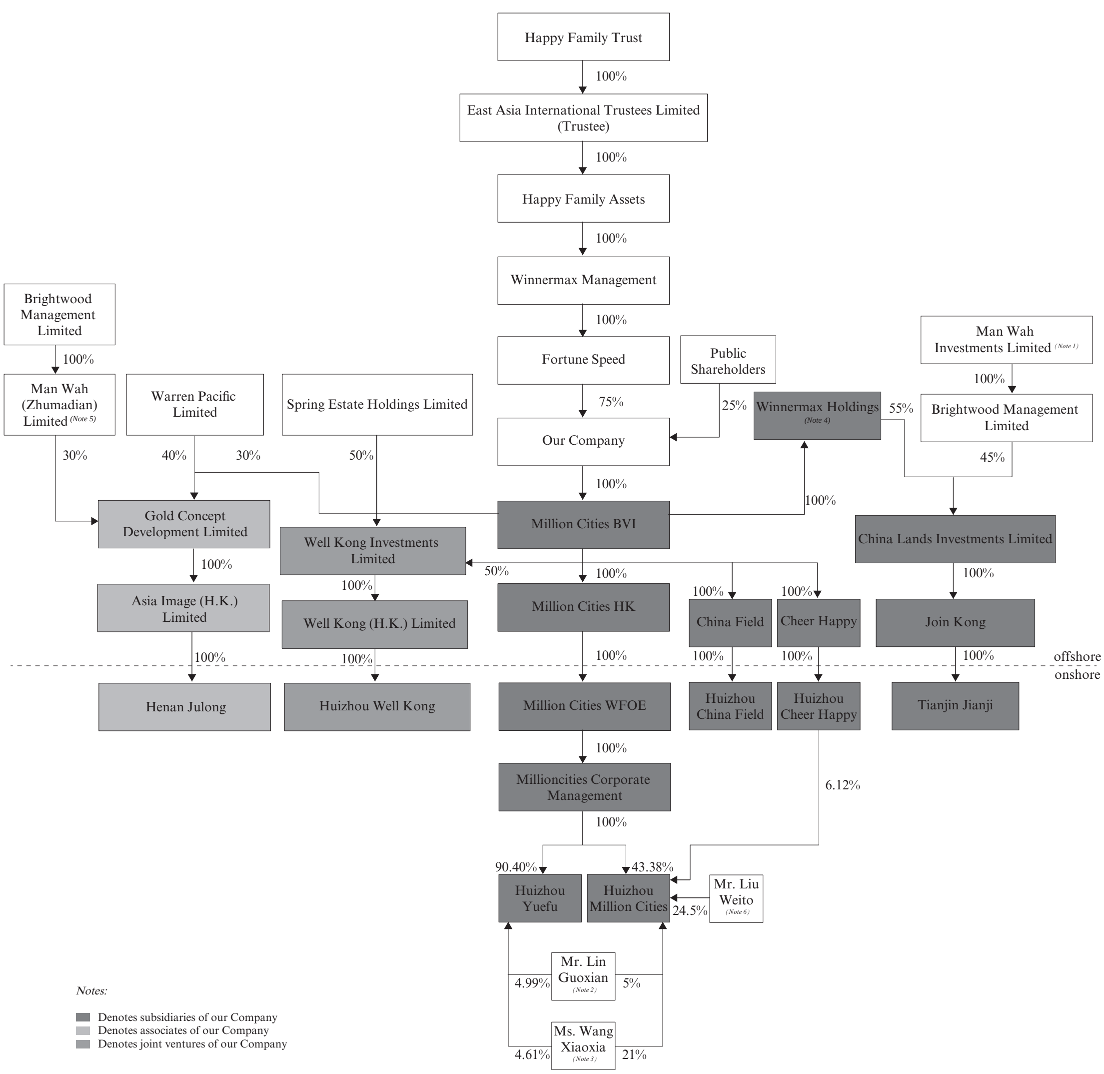
Note 4: On 10 June 2018, Mr. TC Wong, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing Raymond, Mr. George Lau, spouse of Ms. Wong Wai Ling, and Mr. Wong Wai Yue, son of Mr. TC Wong, transferred their respective equity interests they held, in aggregate, in Winnermax Holdings to Million Cities BVI, at the face value of US$1 per share.

Note 5: Man Wah (Zhumadian) Limited is a wholly owned subsidiary of Brightwood Management Limited. It is a connected person of our Group at a subsidiary level for the purpose of the Listing Rules.

Note 6: Mr. Liu Weito is a connected person of our Group for the purpose of the Listing Rules.

Corporate structure immediately after the Global Offering

Our corporate and shareholding structure immediately after completion of the Global Offering will be as follows (assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to any options which may be granted under the Share Option Scheme):



Note 1: Man Wah Investments Limited is a connected person of our Group at a subsidiary level for the purpose of the Listing Rules.

Note 2: Mr. Lin Guoxian is cousin of Mr. TC Wong and our executive Director.

Note 3: Ms. Wang Xiaoxia is a connected person of our Group for the purpose of the Listing Rules.

Note 4: On 10 June 2018, Mr. TC Wong, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing Raymond, Mr. George Lau, spouse of Ms. Wong Wai Ling, and Mr. Wong Wai Yue, son of Mr. TC Wong, transferred their respective equity interests they held, in aggregate, in Winnermax Holdings to Million Cities BVI, at the face value of US$1 per share.

Note 5: Man Wah (Zhumadian) Limited is a wholly owned subsidiary of Brightwood Management Limited. It is a connected person of our Group at a subsidiary level for the purpose of the Listing Rules.

Note 6: Mr. Liu Weito is a connected person of our Group for the purpose of the Listing Rules.

PRC LEGAL COMPLIANCE

M&A RULES

According to the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) ("**Circular No. 10**") jointly issued by the MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration for Industry and Commerce, the CSRC and State Administration of Foreign Exchange on 8 August 2006, effective as of 8 September 2006 and amended by the MOFCOM on 22 June 2009, mergers and acquisitions of domestic enterprises by foreign investors means a foreign investor acquiring the equity interests in a domestic non-foreign-invested enterprise from its shareholder or subscribing its increased capital, so as to convert it into a foreign-invested enterprise; or a foreign investor establishing a foreign-invested enterprise, so as to acquire the assets of a domestic enterprise through agreement and operates such assets; or a foreign investor acquiring the assets of a domestic enterprise through agreement, so as to establish a foreign-invested enterprise with such assets as an investment and to operate such assets. Article 11 of the Circular No. 10 requires that mergers and acquisitions of affiliated domestic companies by any domestic companies, enterprises or natural persons through their legally established or controlled foreign companies shall apply for approval by MOFCOM and the subject shall not circumvent such requirement by way of domestic investment by a foreign-invested enterprise or otherwise. Chapter 4 of Circular No. 10 requires that where a special purpose company is to be listed overseas, the listing shall be subject to approval by the securities regulatory authority under the State Council. The special purpose company refers to an overseas company directly or indirectly controlled by a domestic company or Chinese natural person to realise the interests or a domestic company actually owned by the aforesaid domestic company or Chinese natural person by means of overseas listing.

As advised by our PRC Legal Advisers, Million Cities WFOE, Huizhou China Field, Huizhou Cheer Happy, and Tianjin Jianji are established and recognised as foreign-invested enterprises under the relevant PRC laws and regulations. Each of the members of the Wong's Family (being Mr. TC Wong, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing Raymond and Ms. Wong Wai Ling), being our Controlling Shareholders, are all Hong Kong permanent residents, rather than domestic natural persons as defined under Article 11 of the Circular No. 10. As such, our Company is not required to obtain authorisation or permission from the MOFCOM and the CSRC or perform any other approval procedures for the purpose of Listing.

Therefore, our Listing shall not be subject to the approval by the CSRC. We have obtained required approvals from the PRC government authorities and/or completed registrations with the PRC government authorities in respect of our Reorganisation in the PRC. Our PRC Legal Advisers further confirmed that we have obtained all necessary government approvals and conducted all necessary registrations and filings with relevant competent government authorities for our Reorganisation, and all procedures have been legally completed.

OVERVIEW

We are a property developer primarily focusing on development of properties that are dominantly for residential use in Huizhou in Guangdong Province and locations in the PRC which we consider with potential growth, such as Tianjin and Zhumadian in Henan Province. We sell our developed properties, and lease out certain developed and unsold developed properties to obtain rental income, such as kindergarten and retail stores. With our strong foothold in Huizhou in Guangdong Province, our expertise in the PRC real estate market, including our understanding of local property market conditions and our sales and marketing capabilities on property developments accumulated over the years, we have also selectively acquired properties with potential investment returns which were not developed by us, and we either lease out such properties or renovate and refurnish such properties for sale.

Our Group was founded by Mr. TC Wong. With his deep understanding of operating business and business insight, he was aware of the business opportunities in Huizhou in Guangdong Province. In 2003, Huizhou China Field was established to carry out property development business. Under the leadership of Mr. TC Wong, our Group's business has covered Huiyang District, Huicheng District and Tonghu Ecological Intelligent Zone in Huizhou in Guangdong Province. We set up Tianjin Jianji with Man Wah Investments Limited in 2010 to expand our presence in Wuqing District in Tianjin. In 2017, we set up a joint venture with Man Wah (Zhumadian) Limited, namely Henan Julong, and expanded our business to Zhumadian in Henan Province. With over 15 years of operation and the development of Huizhou in Guangdong Province, our Group has become a regional property developer with presence in Huizhou in Guangdong Province and locations in the PRC with potential growth. We mainly focus on developing affordable luxury residential complex or integrated residential properties, which are dominantly residential properties mixed with ancillary facilities, such as retail stores, club house and kindergartens, to attract middle to high income residents in surrounding neighbourhoods.

As at 30 September 2018, we had 17 development projects which were either completed, under various stages of development, or for future development in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province, and we owned land use rights with an aggregate site area of approximately 896,844.45 sq.m. and land bank with an aggregate GFA of approximately 2,103,333.25 sq.m.. A sufficient amount of land bank can enhance our competitiveness in the property market. According to the Colliers Report, our Group has solid local market knowledge and experience in property development, a reputable brand name in the local markets, strategically located land bank in Huizhou in Guangdong Province and other cities with a relatively high development potential, our Group will be in good position to capture opportunities in the PRC property development industry.

Our commitment to quality product design, construction and development has won us numerous awards and recognition throughout the years. We were awarded 中國主流地產 — 金鼎獎 (China Real Estate Golden Tripod Award*) and 中國主流地產 — 金築獎 (China Real Estate Golden Building Award*) by 中國主流地產品牌年鑒委員會 (China Mainstream Real Estate Brand Annual Review Committee*) in 2007. In 2015, two of our development projects, namely Million Cities Tycoon Place and Sunshine New Court located in Tianjin and Huizhou in Guangdong Province, received several recognitions including 最具影響力樓盤 (The Most Influential Property Development*) by 58安居客2015中國房產風雲榜組委會 (58 Anjuke 2015 China Real Estate Billboard Committee*) and 2015年度最受歡迎樓盤 (2015 The Most Popular Property Development*) by 新浪樂居 (Sina Leju*), respectively. For details of our awards, please refer to the paragraph headed "Awards and certifications" in this section. In 2018, Million Cities Tycoon Place in Tianjin received recognition as 2018年暢銷精品樓盤 (Best Selling Property Development in 2018*) and 2018年消費者喜愛樓盤 (Popular Property Development in 2018*) by 樂居 (Leju*).

The following table sets out a summary of our development projects which (i) are held for future development; (ii) are under development; and (iii) have been developed, during the Track Record Period and as at the 30 September 2018:

Reference to valuation report project no.	Project (Note 3)	Location	Site area	GFA unsold/GFA under development/ Planned GFA	Ownership interest as at 30 September 2018 (Note 1)	Name of responsible project company	Type
			(sq.m.)	(sq.m.)	(%)		
Development projects held for future development							
1.	Dragon Palace (聚瓏灣) Phase 2	Zhumadian in Henan	106,192.39	89,081.00	30	Henan Julong	Residential
2.	Million Cities International (萬城國際) Phases 4 and 5	Huizhou	60,977.78	240,558.00	100	Huizhou Cheer Happy	Residential and commercial
3.	Million Cities Royal Court (萬城君滙花園)	Huizhou	47,679.00	150,475.00	54.5	Huizhou Million Cities	Residential and commercial (Note 2)
4.	Million Cities Tonghu Centre (萬城潼湖中心)	Huizhou	55,596.00	378,642.00	50	Huizhou Well Kong	Commercial
5.	Dragon Terrace (玖龍台) Phase 2	Huizhou	42,566.00	222,299.00	50	Huizhou Well Kong	Residential and commercial
Sub-total			313,011.17	1,081,055.00			
Development projects under development							
7.	Million Cities Tycoon Place (萬城聚豪) Phase 3	Tianjin	46,461.96	91,344.55	55	Tianjin Jianji	Residential
8.	Million Cities Tycoon Place (萬城聚豪) Phase 4	Tianjin	28,611.84	72,750.61	55	Tianjin Jianji	Residential
9.	Million Cities Legend (萬城名座) Phase 3	Huizhou	22,899.45	112,140.00	54.5	Huizhou Million Cities	Residential and commercial
10.	Million Cities Legend (萬城名座) Phase 2	Huizhou	33,084.00	162,315.00	54.5	Huizhou Million Cities	Residential and commercial
11.	Crown Grand Court (皇冠豪苑)	Huizhou	43,928.80	74,746.10	100	Huizhou China Field	Residential and commercial
12.	Dragon Terrace (玖龍台) Phase 1	Huizhou	52,325.00	149,586.49	50	Huizhou Well Kong	Residential and commercial
13.	Legend Plaza (名座廣場)	Tianjin	39,756.30	9,266.63	55	Tianjin Jianji	Commercial
14.	Dragon Palace (聚瓏灣) Phase 1	Zhumadian in Henan	115,361.38	241,644.30	30	Henan Julong	Residential
Sub-total			382,428.73	913,793.68			
Completed development projects							
15.	Million Cities International (萬城國際) Phases 1 to 3	Huizhou	50,571.00	28,346.19	100	Huizhou Cheer Happy	Residential and commercial
16.	Million Cities Legend (萬城名座) Phase 1	Huizhou	33,915.55	41,928.04	54.5	Huizhou Million Cities	Residential and commercial
17.	Sunshine New Court (陽光新苑) Phases 1 and 2	Huizhou	32,109.70	19,998.88	95.39	Huizhou Yuefu	Residential and commercial
18.	Million Cities Tycoon Place (萬城聚豪) Phases 1 and 2	Tianjin	84,808.30	18,211.46	55	Tianjin Jianji	Residential
Sub-total			201,404.55	108,484.57			
Total			896,844.45	2,103,333.25			

Notes:

1. It represents the percentage of our Group's interest in the responsible project company as at 30 September 2018.

2. As at the Latest Practicable Date, the permitted use of Million Cities Royal Court was composite use and Huizhou Million Cities has planned to apply for the modification of permitted usage of Million Cities Royal Court from composite use to residential and commercial use. For further details, please refer to the sub-paragraph headed "3. Million Cities Royal Court (萬城君滙花園)" under the paragraph headed "Our development projects" of this section.

3. As at the Latest Practicable Date, we also own a piece of residential land located at Lianhe Village (i.e. project no. 6 in the valuation report), for which we did not have any development plan. For further details, please refer to the sub-paragraph headed "Residential land located at Lianhe Village (聯和村住宅用地)" in this section below and project no. 6 in the valuation report in Appendix III to this prospectus.

As at 30 September 2018, we have 17 development projects with a land bank with an aggregate GFA of approximately 2,103,333.25 sq.m., which included (i) development projects held for future development of approximately 1,081,055.00 sq.m.; (ii) development projects under development of approximately 913,793.68 sq.m.; and (iii) completed development projects of approximately 108,484.57 sq.m..

We mainly categorise our residential properties as (i) high-rise apartments (高層住宅) — which are typically buildings with 10 storeys or above; (ii) mid-high-rise apartments (中高層住宅) — which are typically buildings with seven to nine storeys; (iii) multiple-storey apartments (多層住宅) — which are typically buildings with four to six storeys; and (iv) villas (別墅) — which are typically buildings with no more than three storeys.

The completed GFA of Million Cities International (萬城國際) Phases 1 to 3 is approximately 189,177.27 sq.m. of which saleable/leasable GFA is approximately 140,073.42 sq.m.. As at 30 September 2018, approximately 28,346.19 sq.m. GFA remained unsold. Million Cities International (萬城國際) Phases 4 and 5 are held for future development and the planned GFA is approximately 240,558.00 sq.m. in aggregate.

The completed GFA of Million Cities Legend (萬城名座) Phase 1 is approximately 144,743.00 sq.m. of which saleable/leasable GFA is approximately 100,320.64 sq.m.. As at 30 September 2018, approximately 41,928.04 sq.m. GFA remained unsold. Million Cities Legend (萬城名座) Phase 2 was yet to be completed and it is expected that completion would take place in or around fourth quarter of 2018 and the GFA under development is approximately 162,315.00 sq.m. in aggregate. Million Cities Legend (萬城名座) Phase 3 was also yet to be completed and it is expected that completion would take place in or around the third quarter of 2019 and the GFA under development is approximately 112,140.00 sq.m. in aggregate.

Million Cities Royal Court (萬城君匯花園) is held for future development and the planned GFA is approximately 150,475.00 sq.m. This development project has not commenced as at the Latest Practicable Date.

The completed GFA of Sunshine New Court (陽光新苑) Phases 1 and 2 is approximately 117,297.96 sq.m. of which saleable/leaseable GFA is approximately 85,550.07 sq.m.. As at 30 September 2018, approximately 19,998.88 sq.m. GFA remained unsold.

The GFA under development of Crown Grand Court (皇冠豪苑) is approximately 74,746.10 sq.m.. As at 30 September 2018, Crown Grand Court was yet to be completed and it is expected that completion would take place in or around first quarter of 2019.

The GFA under development of Dragon Terrace (玖龍台) Phase 1 is approximately 149,586.49 sq.m.. As at 30 September 2018, Dragon Terrace Phase 1 was yet to be completed and it is expected that completion of Phase 1 would take place in or around fourth quarter of 2020. The planned GFA of Dragon Terrace (玖龍台) Phase 2 is approximately 222,299.00 sq.m.. Dragon Terrace Phase 2 has not commenced as at the Latest Practicable Date.

Million Cities Tonghu Centre (萬城潼湖中心) has a planned GFA of approximately 378,642.00 sq.m.. This development project has not commenced as at the Latest Practicable Date.

The completed GFA of Million Cities Tycoon Place (萬城聚豪) Phases 1 and 2 is approximately 173,390.08 sq.m. of which saleable/leasable GFA is approximately 127,937.48 sq.m.. As at 30 September 2018, 18,211.46 sq.m. GFA remained unsold. Million Cities Tycoon Place (萬城聚豪) Phases 3 and 4 were yet to be completed and it is expected that completion would take place in or around fourth quarter of 2022 and fourth quarter of 2021 respectively, and the GFA under development is approximately 91,344.55 sq.m. and 72,750.61 sq.m., respectively.

Legend Plaza (名座廣場) has a GFA under development of approximately 9,266.63 sq.m.. It is expected that completion would take place in or around the third quarter of 2021.

The GFA under development of Dragon Palace (聚瓏灣) Phase 1 is approximately 241,644.30 sq.m.. As at 30 September 2018, Dragon Palace Phase 1 was yet to be completed and it is expected that completion of Phase 1 would take place in or around second quarter of 2020. The planned GFA of Dragon Palace Phase 2 is approximately 89,081.00 sq.m. and the construction of Phase 2 has yet to be commenced as at the Latest Practicable Date.

COMPETITIVE STRENGTHS

We are a regional property developer with our development projects being strategically located near established transportation network in Huizhou in Guangdong Province and locations in the PRC which we consider with potential growth

We are a regional property developer in the PRC focusing on the development of properties that are dominantly for residential use. Our Group was founded in 2003 with the establishment of Huizhou China Field to carry out property development business. Our Group has received various awards since our establishment. In 2007, we were awarded 中國

主流地產 — 金鼎獎 (China Real Estate Golden Tripod Award*) and 中國主流地產 — 金築獎 (China Real Estate Golden Building Award*) by 中國主流地產品牌年鑒委員會 (China Mainstream Real Estate Brand Annual Review Committee*). In 2015, two of our development projects, namely Million Cities Tycoon Place and Sunshine New Court located in Tianjin and Huizhou in Guangdong Province, received several recognitions including 最具影響力樓盤 (The Most Influential Property Development*) by 58安居客2015中國房產風雲榜組委會 (58 Anjuke 2015 China Real Estate Billboard Committee*) and 2015年度最受歡迎樓盤 (2015 The Most Popular Property Development*) by 新浪樂居 (Sina Leju*), respectively. In 2018, Million Cities Tycoon Place in Tianjin received recognition as 2018年暢銷精品樓盤 (Best Selling Property Development in 2018*) and 2018年消費者喜愛樓盤 (Popular Property Development in 2018*) by 樂居 (Leju*).

We strategically select and acquire land parcels for development focusing on the sustainable growth of our business. With over 10 years of experience in real estate development, our Group has become a regional property developer with presence in Huizhou in Guangdong Province and locations in the PRC with potential growth. As at the 30 September 2018, we had 17 development projects which were either completed, under various stages of development, or for future development in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province, and we had a land bank with an aggregate GFA of approximately 2,103,333.25 sq.m. that was strategically located in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province. We believe these locations have high growth potential. The concept of the Greater Bay Area had first been proposed by premier Li Keqiang in 2017 in the 5th Session of the 12th NPC, aiming to promote and deepen the cooperation between mainland China, Hong Kong and Macau. There are 11 cities in the Greater Bay Area, including Huizhou in Guangdong Province. Each of these 11 cities in the Greater Bay Area has its own preliminary position to support the operation of the whole area. For example, an international airport would be constructed in Huizhou in Guangdong Province as its preliminary position is to become a high technology conversion area. According to the Colliers Report, total real estate investment of commodity properties in nine cities in the PRD Economic Zone within the Greater Bay Area, including Huizhou in Guangdong Province, increased from approximately RMB311.9 billion in 2011 to approximately RMB982.8 billion in 2017, representing a CAGR of approximately 16.1%. We believe the Greater Bay Area, Tianjin and Zhumadian in Henan Province entail growth potential and will be among the most economically prosperous area in the PRC, in particular the Greater Bay Area is expected to be further developed as a world-class city cluster. For further details, please refer to the paragraph headed "4. Overview of the property market in the Greater Bay Area and Huizhou" under the section headed "Industry overview" in this prospectus. Based on our expansion plan, we believe our land bank would be sufficient to support our business development in the next coming years.

We strive to develop affordable luxury residential properties primarily for middle to high income residents in surrounding neighbourhoods. We are also engaged in the development of commercial and residential complex or integrated residential properties to maintain a balanced development portfolio.

With our keen market insight, investment vision and expertise in the PRC real estate market, including our understanding of local property market conditions and our sales and marketing capabilities on property developments accumulated over the years, we also strategically select and acquire properties which were not developed by us. Through our network, business acumen and capabilities, we were able to identify properties that were located in areas which we believe has had high growth potential and can generate considerable investment returns. In the past, we acquired properties located in areas that were then not fully developed, such as Shenzhen and Huizhou in Guangdong Province, at competitive costs. We either lease out such properties or renovate and refurnish such properties for future sale.

We have established an operation system that facilitates the development of quality development projects in a timely and cost efficient manner

We believe that due to our established operation system, we have generally been able to develop quality development projects in a timely and cost efficient manner. Our operation system contributes to, among other things, (i) our efficient execution; and (ii) effective costs and quality control requirements of our development process.

(i) Efficient execution

We believe that our relatively efficient execution is, to a significant extent, attributable to our operation system which stipulates acceptable time requirement for various stages of construction based on our operation experience. With our project development procedures and execution capabilities, we believe we are able to efficiently manage and oversee the progress of our development projects. During the Track Record Period, we have not experienced any delay in delivering our products. We even managed to deliver our product prior to the expected delivery time for one of our development projects. For example, we were able to deliver Sunshine New Court Phase 2 more than a month earlier than the expected delivery date in 2016.

(ii) Costs and quality control requirements

We are generally capable of effectively controlling the construction costs required for our development projects. We control our development costs at various stages of our development process.

Our regional land acquisition strategy, keen market insight and investment vision on the PRC real estate market and our diversified land acquisition initiatives will continue to help propel our expansion in the future. We adopt a strategy in our land acquisitions focusing on in-depth market penetration in each location we select. We strive to identify high quality lands with potential in areas that have not yet experienced significant growth in property prices. For example, we penetrated into the real estate market in Huizhou in Guangdong Province in 2008 as a pioneer, and the Greater Bay Area has experienced a strong growth since 2011. We believe our market insights and investment vision in the PRC real estate market, which was based on extensive market research on target locations, as well as land acquisition strategy, have helped us form a quality property portfolio with attractive property development pipelines to serve as the core foundation for our future expansion. Most of our land bank was acquired by us at competitive costs a few years back as part of our land acquisition strategy. In addition to land acquisitions through listings-for-sale, we have cooperated with third-party business partners to jointly acquire land parcels and develop development projects. Our business partners have long established business history in Tianjin and Zhumadian in Henan Province with local expertise in development projects. In the future, we may also expand our business by merger and acquisition. Our various cooperation initiatives, together with our land acquisition strategy, have provided us with access to desirable land parcels at reasonable prices for our future development and in turn increase our profitability.

We closely manage and monitor our development projects during various stages of development to maintain quality and achieve cost efficiency. We believe that part of our success is attributable to our strict quality control system for our own development projects, which enables us to closely monitor construction quality and control construction costs. We engage construction contractors to develop our properties. We generally engage general contractors who carry out construction works. When we engage construction contractors through tendering process, we take into consideration their track record performance, work quality, proposed delivery schedules and costs. As the fees payable to our construction contractors generally include the costs for procurement of raw materials, fluctuation in prices of raw materials for development of our properties will enable us to control our construction costs. We seek to establish and maintain long business relationships with our construction contractors which allow us to maintain our construction costs at a reasonable level and ensure quality at the same time.

We focus on developing high quality, innovative and customer-oriented products in order to ensure that they meet the market trends and are appealing to our customers

Under the leadership of Mr. TC Wong, who is our founder and has extensive network and deep understanding of operating business and appreciating market trends in Huizhou in Guangdong Province, we comprehend the economic development and the needs and preferences of residents in Huizhou in Guangdong Province. In addition, our business partners also have long established business history in Tianjin and Zhumadian in Henan Province with local expertise in projects development. Such experiences enable us to develop quality and customer-oriented products.

The initial stage of our property development process, being land selection to project planning and design, focuses on market trends, and needs and preferences of our target middle to high income customers in surrounding neighbourhoods. During site selection process, we generally pursue opportunities in areas that we believe would have strong prospects for growth. We pride ourselves in our customer-oriented design philosophy that aims to bring quality of life, increased convenience and comfortable living environment to potential customers in the use of our products. For instance, we have included a large and luxurious club house in Million Cities Tycoon Place as part of the design which we believe will address the lifestyle and needs of our target customers in the neighbourhood. Further, we focus on developing affordable luxury residential complex or integrated residential properties, which are dominantly residential properties mixed with ancillary facilities, such as retail stores, club house and kindergartens, to meet the needs of residents in surrounding neighbourhoods. We believe that our design, planning and quality control process can ensure high quality of our products and enhances their appeal which is fundamental to our performance.

We continuously improve our product design based on customer feedback and research as to market trend and development in the local area, and the desired lifestyle that our target customers would like to experience. We aim to develop products that meet the desired quality of life of our target customers, but with affordable prices. For example, we have developed "duplex" residential apartments in Huiyang District, Huizhou in Guangdong Province, that suited our customers' needs for luxurious duplex homes in mid-high-rise apartment. According to the Colliers Report, there was only one other residential project in Huiyang district that provided duplex units. We developed low density residential properties with glass windows in areas with scenery near Lujiang Wet Land Park* (鹿江瀝濕地公園) in Huizhou in Guangdong Province. We have also created a unique type of residential villa in Tianjin that we named it as "duplex-on-duplex". Duplex-on-duplex is a villa which has four storeys and each of two consecutive storeys would be sold to customers separately, whereas a typical villa only has three storeys and all of which are sold to our customers as a whole. Duplex-on-duplex allows our customers to purchase and enjoy villa-like homes with more affordable prices than purchasing villas. In addition, we have incorporated new technologies in our design with the aim to create smart community and convenient living environment. For instance, we have installed smart security cameras at the entrance of the car park in Sunshine New Court which can recognise license plates of vehicles by computer. A smart mobile phone application and smart community property management services are also available for the residents of Sunshine New Court. Through the use of the mobile phone application, the residents may increase the conveniences of living in the properties, such as unlocking gates, paying management fees or viewing and receiving residents' notices on the mobile phone application.

We place great emphasis on the quality of our properties. We believe that, over the years, we have established a brand image that is associated with promising standard of quality for our development projects. We are aspired to maintain a high standard of quality for our properties at different stages of the development process and have put in place the following measures for maintaining our quality:

(i) in order to develop quality property complexes, we usually engage construction contractors which (a) have engineers who possess relevant national construction related qualifications; (b) have satisfactory track record; and (c) source value-for-money and quality raw materials for the construction of our development projects;

(ii) during the construction process of our development projects, we and/or the third party certified construction supervision companies, which are engaged by us, will conduct regular inspection with a view to ensure the quality of the relevant construction work is at par with our stipulated standard; should we or the third party certified construction supervision companies find that there are any issues with the work performed by construction contractors during the construction process, construction contractors would normally adopt the suggestions given by us or the third party certified construction supervision companies to adjust, modify or redo their work; and

(iii) following completion of the construction process, completion inspection will be conducted by our regional project company, as well as our headquarter before delivery of properties.

We have well-established reputation and brand name

We have established and strategically positioned our brand name, i.e. "Million Cities (萬城) (万城)", in our existing market through our track record and bring promising-quality and customised development projects to the market. With our established brand name in Huizhou in Guangdong Province, according to the Colliers Report, based on the residential GFA available for sale in the first half of 2018 which is in accordance with the pre-sale permits issued in the first half of 2018 available in the public domain, we ranked the 12th among property developers in Huizhou in Guangdong Province, with a market share of approximately 1.4%. Under the leadership of Mr. TC Wong, who is our founder with deep understanding of operating business and business insight, and appreciating market trends in Huizhou in Guangdong Province, we have a comprehensive insight in economic development and market trend in Huizhou in Guangdong Province, thus, to develop quality and customised products. We believe our growing reputation is partly attributable to our emphasis on the quality of our development projects and the lifestyle that our design could bring to our customers. In this regard, a number of our development projects have become award-winning properties, such as Million Cities Tycoon Place and Sunshine New Court. For more details of our awards, please refer to the paragraph headed "Awards and certifications" in this section below.

We believe that our focus on product quality and our customers' satisfaction has enabled us to differentiate our development projects and achieve favourable selling prices, as our customers appreciate the quality affordable luxury homes we create, and associate our brand with promising-quality and customer-orientated properties. Given the reputation of our brand, we believe our brand will be of great value to us as we solidify and enhance our position in our existing markets and expand our business and geographic reach into other cities and regions in the PRC.

We have an experienced management team supported by a well-trained workforce as well as a management and organisation structure

Our success has been, and will continue to be, dependent on our experienced management team which has in-depth understanding of the real estate industry in the PRC. Our Group was founded by Mr. TC Wong, our founder and Controlling Shareholder who has over 15 years of experience in property investment, property development and property management. Mr. TC Wong has been responsible for strategic planning and decision-making of our Group since our establishment. In addition, our executive Director and Chief Executive Officer, Mr. George Lau, has over 18 years of experience in operational management, and he has accumulated his experiences in the PRC real estate industry since 2009. He has extensive experiences in property development business. Our executive

Director and Chief Operating Officer, Mr. Danny Wong, has over 25 years of experience in sales and marketing, property investment and real estate industry. He has joined our Group as Chief Operating Officer since February 2018. Our executive Director, Finance Director and company secretary, namely Ms. Lau Pui Kwan, has over 12 years of experience in corporate accounting and financing, audit and company secretarial practices. She has joined our Group since July 2017. Our executive Director, namely Mr. Lin Guoxian, has over 17 years of experience in construction and property management in real estate industry. He has overseen and managed various development projects owned by Mr. TC Wong since July 2009. Our management possesses in-depth understanding of the PRC property development business environment and is equipped with a wide range of business skills including strategic planning, business operation and project management. Many members of our management team also have extensive experience and expertise in their respective fields, which covers all the key aspects of our operation. This diversity of knowledge and expertise has helped us continue to take advantage of future market opportunities and form a broad strategic vision to further our sustainable growth. In addition, we have experienced employees with substantial expertise in property development, design, finance and other relevant areas.

We regularly provide a variety of vocational training programs to our staff to reinforce their relevant expertise. To cater for our Company's continued development, we will recruit industry professional from time to time to bring in new dynamics to our Group. We believe that our human resources policy motivates our staff by establishing a corporate culture that strives for the continuous growth of our Group.

We have adopted a two-tiered management and organisational structure with our headquarter as the management tier and regional project companies as the front-line tier. Each tier of management is vested with separate duties and responsibilities. We believe that the clear delineation of roles and functions contributes to our operational efficiency. Please refer to the sub-paragraph headed "Business model and operation of our Group" under the paragraph headed "Our development projects" in this section below for further details.

We believe that our management team as well as our Company's management and organisation structure have significantly contributed to our success and will continue to be critical to our future business growth.

OUR STRATEGIES

We intend to continue to focus on the development of properties on our land bank, in particular, in the Greater Bay Area and locations in the PRC which we consider with potential growth

We intend to leverage our brand name and experience to continue developing affordable luxury residential properties in the Greater Bay Area and locations in the PRC which we consider with potential growth, to take advantage of the continuously increasing demand for quality properties resulting from the growth in urbanisation and the general local economy. We will also continue to explore suitable areas in the PRC to develop properties for sale, which include (i) surrounding areas of locations that are covered by our existing business, including the Greater Bay Area, Tianjin and Henan Province; (ii) areas that are undergoing economic and social development, with growth potential and investment opportunities; or (iii) areas that are undergoing development in real estate market, with stable land supply that leads to lower land acquisition cost and potential growth in prices of real estate properties, and have relatively fewer regulatory restrictions on land planning, design and construction, and sales and mortgage of real estate properties.

The Greater Bay Area remains the key geographical region in our overall business development strategies in the PRC. Armed with our track record, local knowledge, and market recognition, we intend to enhance our market share in affordable luxury residential property development industry in the Greater Bay Area, in particular in Huizhou in Guangdong Province, and expand to locations in the PRC which we consider with potential growth.

The concept of the Greater Bay Area had first been proposed by premier Li Keqiang in 2017 in the 5th Session of the 12th National People's Congress, aiming to promote and deepen the cooperation between mainland China, Hong Kong and Macau. There are 11 cities in the Greater Bay Area, including Huizhou in Guangdong Province. According to the Colliers Report, the total nominal GDP of such 11 cities increased from approximately RMB5,551.9 billion in 2011 to approximately RMB10,250.3 billion in 2017, whereby the total nominal GDP of Huizhou in Guangdong Province increased from approximately RMB209.5 billion in 2011 to approximately RMB383.1 billion in 2017. In 2017, eight cities out of such 11 cities, including Huizhou in Guangdong Province, maintained over 7.0% year-to-year GDP growth. Amid the rising concept of the Greater Bay Area, numbers of infrastructure projects has been initiated to improve the accessibility and deepen the cooperation between cities in the Greater Bay Area. Major infrastructure projects in the Greater Bay Area include, among others, construction of (i) Hong Kong Zhuhai Macau bridge; (ii) 15 intercity rail lines; and (iii) Huizhou International Airport. The preliminary position of Huizhou in the Greater Bay Area is high-technology conversion area. According to the Colliers Report, total real estate investment of commodity properties in nine cities in the PRD Economic Zone within the Greater Bay Area, including Huizhou, increased from approximately RMB311.9 billion in 2011 to approximately RMB982.8 billion in 2017, representing a CAGR of approximately 16.1%.

Based on our experience and market response from previous development projects of similar quality in Huizhou in Guangdong Province, we believe that our strategy in developing residential complex or integrated residential properties, which are residential properties mixed with ancillary facilities, such as retail stores, club house and kindergartens, in the Greater Bay Area would appeal to customers who acquire properties for both residential and investment purposes. Going forward, we will continue to look for suitable locations to replicate our success in developing integrated residential development projects in other areas in the Greater Bay Area. We will select potential land acquisition targets that are mainly for residential use with site area of generally not less than 30,000 sq.m. and GFA of generally not less than 60,000 sq.m., and focus on surrounding areas of locations that are covered by our existing business, including the Greater Bay Area, Tianjin and Henan Province, and other locations in the PRC which we consider with potential growth. According to the Colliers Report, there was an increase in land parcels for residential use which fulfill the criteria of our selection of potential land acquisition targets generally in Huizhou in Guangdong Province, Tianjin and Henan Province in 2016 and 2017. For further details, please refer to the sub-paragraph headed "7.1 Land costs" under the paragraph headed "Overview of property development costs" under the section headed "Industry overview" in this prospectus. With the favourable supply plan of residential land in Huizhou in Guangdong Province, Tianjin and Henan Province in the future, and based on our Group's network, business acumen and past experience in land acquisitions in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province, as well as the continue urbanisation and steady growth of real estate industry in the PRC, our Directors believe that such suitable potential land acquisition targets are available in the PRC. Further, as far as the relevant laws and regulations in the PRC are concerned, our Group is not restricted to expand our business operations into other areas in the PRC. Our Directors believe that future land acquisitions will enhance our Group's land bank and market share in selected area which ensures more stable revenue and income stream to our Group. As our Group anticipates that the costs for acquiring new land parcels will be higher than the acquisition costs of our existing land bank, profit margin of our future development projects may decrease if we are unable to transfer such incremental land acquisition costs to our customers.

We plan to leverage our experience and expertise developed over our operating track record to continue to focus on the development of quality residential properties on our land bank. As at 30 September 2018, we had 17 development projects which were either completed, under various stages of development, or for future development in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province, and we had land bank with planned GFA of approximately 2,103,333.25 sq.m. for future development. Our phase-by-phase development and pre-sale allow us to monitor market response, thereby enabling us to adjust our business strategy and related project designs in response to the changing market demand and conditions. In light of the growth of the PRC economy and purchasing power, we believe that such residential properties would continue to be the high growth and profitable sectors in the PRC property market.

We intend to expand our operations in other parts of the PRC in which we currently do not have a presence with our diversified land acquisition strategies with a view to allocate resources to what we believe to be profitable opportunities

We plan to develop our presence in the Greater Bay Area as well as locations in the PRC which we consider with potential growth and exhibit strong demand for mid to high-end real estate with affordable prices. Suitable and sufficient land bank serves as a sound backbone in supporting of our future development against future change in governmental policies or increase in land costs. We will continue to monitor on the macroeconomic conditions, governmental policies and growth potential of the property market in such cities where suitable land is located. As at the Latest Practicable Date, we plan to expand into cities in the Greater Bay Area. There are 11 cities in the Greater Bay Area. Based on the Colliers Report, these cities had a population size of approximately 69.5 million in aggregate in 2017 and the nominal GDP of such cities amounted to approximately RMB10,250.3 billion in aggregate in 2017. We believe that such population size and nominal GDP level tend to support strong demand for residential and commercial space.

We intend to continue prioritising our financial resources towards what we believe to be the profitable opportunities by selectively targeting areas which we believe has high growth potential and acquiring lands there at competitive costs. In particular, we intend to continue to leverage on our experience with land acquisition strategies by establishing project development relationships with third-party business partners which own land resources or with local expertise. We could contribute know-how from our past management experience, while the other party could contribute land or local expertise. Such relationships allow us to enhance our flexibility and reduce our capital investment needs. As at the Latest Practicable Date, we had not identified any specific third party business party to cooperate with.

We will adhere to the strategy of not accumulating excessive land bank while maintaining our development projects and land bank at a level sufficient for development. Specifically, we avoid over-priced land when we acquire resources for our future development projects. When replenishing our land bank, we mainly target at land parcels with attributes and ancillary facilities that complement our positioning in the residential property market and meet the needs and demands of our customers.

In addition, we intend to continue to leverage on our network, business acumen and experience in land acquisition and in the PRC real estate market, and selectively acquire developed properties which we believe has high growth potential at competitive costs. We will then either lease out such properties or renovate and refurnish such properties for sale in order to generate investment profits.

In order to continue to support our ability to respond to market changes timely and effectively, on the one hand, we aim to attract and recruit more employees with a wide range of expertise including property development, project management, planning, design, finance and marketing and sales. We will continue to recruit, nurture and motivate skilled and talented workforce by offering our staff competitive remuneration packages, on-the-job trainings and performance-based remuneration. On the other hand, on our financial management front, we will ensure that our liquidity is sufficient and our cash balance is adequate to maintain healthy cashflow.

We plan to expand the diversity of our properties to be developed, including the development of residential properties, integrated residential properties and commercial properties

We have focused our business on developing mainly residential properties and intend to continue in doing so in the future. Our development projects include apartments and related ancillary facilities and are designed to appeal to middle to high income residents in surrounding neighbourhoods. We believe our focus on development of properties that are dominantly for residential use allows us to better and more efficiently utilise our resources to address our target customers' needs, enhance our brand name and facilitate our sustainable growth.

We believe commercial properties that we typically develop within our residential properties attract a healthy flow of commercial activities which will not only diversify our source of income and bring about a healthy cashflow, but also facilitate demand for our residential properties. We believe that the synergy between the different types of property we offer helps increase the overall attractiveness of our properties in general. As such, we also intend to continue to develop residential complex or integrated residential properties, which are residential properties mixed with retail and other commercial properties.

Apart from our usual development projects that involve residential properties only or a mixture of residential and commercial properties, we are currently planning to execute future development project in Huizhou in Guangdong Province, namely Million Cities Tonghu Centre (萬城潼湖中心), which will be a commercial development project. In particular, Million Cities Tonghu Centre is located in Huizhou Tonghu Ecological Intelligent Zone (惠州潼湖生態智慧區). According to the Colliers Report, Huizhou is aimed to be developed into a hub of innovation and technology. Huizhou Tonghu Ecological Intelligent Zone has been planned to be the "Silicon Valley" in Guangdong. The local government has announced to develop innovation zone, education and technology zone, international cooperation zone and big data industrial park in Huizhou Tonghu Ecological Intelligent Zone. By the end of 2016, the population in this area was approximately 34,000. According to the "Master Plan for the Development of Tonghu Ecological Intelligent Zone in Huizhou, Guangdong (2017–2030)" issued by the provincial government, it is planned to have a population of approximately 170,000, representing an increase of approximately four times from 2016, GDP of approximately RMB25 billion and GDP per capita of approximately RMB150,000 by the end of 2020. With the foreseeable population increase and economic growth, the outlook of the property market of such area is considered to be relatively positive.

We seek to strengthen our cost control capability and maintain the quality of the properties that we develop through establishing long-term relationships with construction contractors

As we believe that effective cost control and maintenance of good quality of properties we develop are the key factors of our success, part of our strategies is to further strengthen our control capability in development projects and continue to maintain quality of properties we develop through establishing long-term relationships with construction contractors. We engaged construction contractors to develop our properties during the Track Record Period. We select general contractors for our development projects through tenders and based on, among others, (i) qualifications; (ii) resources, including the availability of manpower; (iii) experience and technical expertise in similar construction development projects; (iv) reputation and quality of work; and (v) proposed commercial terms, in particular the fee quotation. We selected our specialised contractors by considering their track record performance, work quality, proposed delivery schedules and costs. As the fees payable to our construction contractors generally include the costs for procurement of raw materials, our construction costs would not be materially affected by the fluctuation in prices of raw materials for the development of our properties. Establishing long-term relationships with our construction contractors, we are able to engage reliable construction contractors which will allow us to maintain stable construction costs and ensure consistent and high quality of our development projects.

OUR DEVELOPMENT PROJECTS

We are a property developer focusing on development of properties that are dominantly for residential use in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province. During the Track Record Period, our development projects were located at Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province. We mainly categorise our residential properties as follows:

- High-rise apartments (高層住宅) — which are typically buildings with 10 storeys or above;
- Mid-high-rise apartments (中高層住宅) — which are typically buildings with seven to nine storeys;
- Multiple-storey apartments (多層住宅) — which are typically buildings with four to six storeys; and
- Villas (別墅) — which are typically buildings with no more than three storeys.

Summary of our development projects

Development projects held for future development

The following table sets out a summary of our development projects held for future development as at 30 September 2018:

Reference to valuation report project no.	Project[4]	Site area	Actual/ estimated commencement date	Estimated completion date	Estimated pre-sale date	Planned GFA	Cost of development incurred[1]	Expected future cost of development[1]	Name of responsible project company	Ownership interest as at 30 September 2018[2]	Market value in existing state attributable to our Group as at 30 September 2018[3]
		(sq.m.)				(sq.m.)	(RMB million)	(RMB million)		(%)	(RMB million)
1.	Dragon Palace (聚瓏灣) Phase 2	106,192.39	December 2018	November 2020	September 2019	89,081.00	145.69[5]	203.39	Henan Julong[6]	30	25.80
2.	Million Cities International (萬城國際) Phases 4 and 5	60,977.78	June 2020	December 2022	January 2021	240,558.00	28.29	1,420.08	Huizhou Cheer Happy[7]	100	271.00
3.	Million Cities Royal Court (萬城君滙花園)	47,679.00	June 2020	December 2022	January 2021	150,475.00	4.49	939.46	Huizhou Million Cities[8]	54.5	64.31
4.	Million Cities Tonghu Centre (萬城潼湖中心)	55,596.00	June 2019	January 2025	May 2020	378,642.00	317.92	1,273.29	Huizhou Well Kong[9]	50	230.00
5.	Dragon Terrace (玖龍台) Phase 2	42,566.00	December 2018	March 2021	August 2019	222,299.00	293.28[5]	888.33	Huizhou Well Kong[9]	50	171.50

Notes:

1. Calculated based on the (i) planned GFA of the relevant phase of the development project in proportion to the total planned GFA of the relevant development project; and (ii) attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018.
2. It represents the percentage of our Group's interest in the responsible project company as at 30 September 2018.
3. It does not include attributable value of non-saleable amenities. Calculated based on the attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.
4. As at the Latest Practicable Date, we also own a piece of residential land located at Lianhe Village, for which we did not have any development plan. For further details, please refer to the sub-paragraph headed "Residential land located at Lianhe Village (聯和村住宅用地)" in this section below.
5. Such development cost incurred mainly consisted of land acquisition costs.
6. Such responsible project company is our associate.
7. Such responsible project company is our wholly-owned subsidiary.
8. Such responsible project company is our non-wholly-owned subsidiary.
9. Such responsible project company is our joint venture.

Development projects under development

The following table sets out a summary of our development projects under development as at 30 September 2018:

Reference to valuation report project no.	Project	Site area (sq.m.)	Actual commencement date	Estimated completion date	Actual/estimated pre-sale date	GFA under development (sq.m.)	Saleable GFA[4] (sq.m.)	Saleable GFA pre-sold (sq.m.)	Saleable GFA pre-sold (%)	Cost of development incurred[1] (RMB million)	Expected future cost of development[1] (RMB million)	Name of responsible project company	Ownership interest as at 30 September 2018[2] (%)	Market value in existing state attributable to our Group as at 30 September 2018[3] (RMB million)
7.	Million Cities Tycoon Place (萬城聚豪) Phase 3	46,461.96	September 2018	October 2022	October 2019	91,344.55	57,199.60	–	N/A	73.90	438.47	Tianjin Jianji[6]	55	152.90
8.	Million Cities Tycoon Place (萬城聚豪) Phase 4	28,611.84	April 2018	December 2021	September 2018	72,750.61	49,620.74	18,420.00	37.12	153.65	269.27	Tianjin Jianji[6]	55	114.40
9.	Million Cities Legend (萬城名座) Phase 3	22,899.45	April 2018	September 2020	July 2019	112,140.00	76,074.00	–	N/A	39.73	563.79	Huizhou Million Cities[6]	54.5	66.49
10.	Million Cities Legend (萬城名座) Phase 2	33,084.00	January 2017	December 2018	January 2018	162,315.00	114,504.31	70,066.00	61.19	552.94	416.11	Huizhou Million Cities[6]	54.5	531.92
11.	Crown Grand Court (皇冠豪苑)	43,928.80	August 2017	February 2019	May 2018	74,746.10	33,460.66	19,767.00	59.08	248.50	84.86	Huizhou China Field[7]	100	444.00
12.	Dragon Terrace (玖龍台) Phase 1	52,325.00	March 2018	December 2020	January 2019	149,586.49	124,026.00	–	N/A	318.58	494.40	Huizhou Well Kong[8]	50	246.00
13.	Legend Plaza (名座廣場)	39,756.30	November 2015	August 2021	September 2019	9,266.63	79,512.00	–	N/A	64.47	343.98	Tianjin Jianji[6]	55	63.25
14.	Dragon Palace (聚瓏灣) Phase 1	115,361.38	July 2018	May 2020	September 2018	241,644.30[5]	18,608.20	–	N/A	197.99	584.04	Henan Julong[9]	30	243.90

Notes:

1. Calculated based on the (i) GFA under development of the relevant phase of the development project in proportion to the total GFA under development of the relevant development project; and (ii) attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018.

2. It represents the percentage of our Group's interest in the responsible project company as at 30 September 2018.

3. It does not include attributable value of non-saleable amenities. Calculated based on the attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

4. Calculated based on the relevant pre-sale permit available, or the surveying report or the construction works planning permit if the pre-sale permit is not available or applicable, or if we have not obtained relevant pre-sale permit, surveying report or construction works planning permit, based upon the relevant construction works commencement permit and our internal records and estimates, which may be subject to change.

5. Based on the construction works planning permit as only part of the area of the development project has obtained construction works commencement permit.

6. Such project company is our non-wholly-owned subsidiary.

7. Such project company is our wholly-owned subsidiary.

8. Such project company is our joint venture.

9. Such project company is our associate.

Completed development projects

The following table sets out a summary of our completed development projects as at 30 September 2018:

Reference to valuation report project no.	Project	Site area (sq.m.)	Actual commencement date	Actual pre-sale commencement date	Actual completion date	Actual delivery date	Completed GFA[6] (sq.m.)	Saleable/leasable GFA (sq.m.)	GFA unsold (sq.m.)	Cost of development[1] (RMB million)	Unit cost of sales per sq.m. (RMB)	Name of responsible project company	Ownership interest as at 30 September 2018[2] (%)	Market value in existing state attributable to our Group as at 30 September 2018[3] (RMB million)
15.	Million Cities International (萬城國際) Phases 1 to 3	50,571.00	Phase 1: March 2008	Phase 1: July 2008	Phase 1: September 2009	Phase 1: October 2009	189,177.27	140,073.42	28,346.19	628.54	3,248.98-4,002.06	Huizhou Cheer Happy[7]	100	336.00
			Phase 2: December 2009	Phase 2: April 2010	Phase 2: December 2011	Phase 2: January 2012								
			Phase 3: May 2011	Phase 3: September 2011	Phase 3: January 2013	Phase 3: March 2013								
16.	Million Cities Legend (萬城名座) Phase 1	33,915.55	December 2013	September 2014	July 2016	July 2016	144,743.00	100,320.64	41,928.04	589.08	4,505.31	Huizhou Million Cities[8]	54.5	80.12
17.	Sunshine New Court (陽光新苑) Phases 1 and 2	32,109.70	Phase 1: September 2008	Phase 1: June 2012[4]	Phase 1: October 2010	Phase 1: March 2018	117,297.96	85,550.07	19,998.88	384.14	3,695.22-3,890.55	Huizhou Yuefu[8]	95.39	34.34
			Phase 2: September 2014	Phase 2: June 2015	Phase 2: September 2016	Phase 2: October 2016								
18.	Million Cities Tycoon Place (萬城璟豪) Phases 1 and 2	84,808.30	Phase 1: March 2015	Phase 1: September 2015	Phase 1: October 2017	Phase 1: November 2017	173,390.08[5]	127,937.48	18,211.46	873.14	5,777.60	Tianjin Jianji[8]	55	107.25
			Phase 2: April 2015	Phase 2: November 2015	Phase 2: October 2017	Phase 2: November 2017								

Notes:

1. Calculated based on the (i) completed GFA of the relevant phase of the development project in proportion to the total completed GFA of the relevant development project; and (ii) attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018.
2. It represents the percentage of our Group's interest in the responsible project company as at 30 September 2018.
3. It does not include attributable value of non-saleable amenities. Calculated based on the attributable interest in the respective project companies that hold the individual development projects to our Group as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.
4. As there was no pre-sale for Sunshine New Court Phase 1, it represents the date of the sale permit of such development project.
5. As at the Latest Practicable Date, we have completed the construction of one of the buildings for Million Cities Tycoon Place Phase 1 but yet to obtain the completion certificate. The total completed GFA of Million Cities Tycoon Place Phases 1 and 2 does not include the completed GFA of such building.
6. As at the Latest Practicable Date, we had one completed civil air defense property with an aggregate GFA of approximately 5,500.14 sq.m., which was primarily used or to be used for car parks, representing an insignificant portion of our property portfolio. We have accounted for such property as completed development project. As part of our day-to-day operations, we monitor our business practice related to the Civil Air Defense Law to ensure such compliance. For further details regarding the relevant laws and regulations regarding civil air defense, please refer to the paragraph headed "Civil air defense property" under the section headed "Regulatory overview" in this prospectus.
7. Such project company is our wholly-owned subsidiary.
8. Such project company is our non-wholly-owned subsidiary.

Classification of our development projects

The table below sets out classification of our development projects or development project phases, and the corresponding classification of development projects or development project phases in the sections headed "Accountants' report" and "Property valuation" in Appendix I and Appendix III to this prospectus, respectively:

Our classifications		Accountants' report	Property valuation report
1.	**Development project or development project phases held for future development** — we or our business partner(s) have (i) received the land use rights certificate(s); or (ii) signed the relevant land grant contract with the relevant government authorities and paid for the land premium under the land grant contract *(Note)*	• Properties held for development	• Property interests held by our Group for future development in the PRC
2.	**Development project or development project phases under development** — we have received construction works commencement permits required for these development projects or development project phases, but not the completion certificates	• Properties under development	• Property interests held by our Group for development in the PRC
3.	**Completed development project or development project phases** — we have received completion certificates from the relevant government authorities for these development projects or development project phases	• Completed properties held for sale • Property, plant and equipment	• Property interests held by our Group for sale in the PRC

As some of our development projects comprise multiple-phase developments that are completed on a rolling basis, a single development project may fall into one or more of the above categories.

Our classifications of development projects or development project phases reflect the basis on which we operate our business and may differ from classifications employed by other property developers. A single development project may require multiple land use rights certificates, construction land planning permits, construction works planning permits, construction works commencement permits, pre-sale permits and other permits and certificates, which may be issued at different times throughout the development process.

Note: This excludes the land premium for modification of the usage of the master site of Million Cities Royal Court.

For details of the classifications of development projects or development project phases in the accountants' report and the property valuation report, please refer to the sections headed "Accountants' report" and "Property valuation" in Appendix I and Appendix III to this prospectus, respectively.

Site area and GFA

The site area information set out in this prospectus is disclosed on the following basis:

(i) in respect of project land for which we have obtained the land use rights certificates, the site area of the relevant development project or development project phase thereof refers to the site area in such land use rights certificates; or

(ii) in respect of project land for which we have not obtained the land use rights certificates but have signed the relevant land grant contracts, the site area of the relevant development project or development project phase thereof refers to the aggregate site area recorded in the relevant land grant contracts.

A property is pre-sold when we have executed the relevant pre-sale agreement but have not yet completed the construction of the relevant development project. A property is considered unsold if there was no pre-sale agreement or sale and purchase agreement executed in relation to the property.

The GFA information in this prospectus is disclosed on the following basis:

(i) Development projects held for future development

— **Planned GFA:** (a) based upon the relevant construction works planning permit; or (b) if the relevant construction works planning permit has not been issued, based upon the relevant land use rights certificate; or (c) if we have not obtained the relevant land use rights certificate, based upon the relevant land grant contract and our internal records and estimates, which may be subject to change;

(ii) Development projects under development

— **Saleable GFA:** based upon the relevant pre-sale permit, or the surveying report or the construction works planning permit if the pre-sale permit is not available or applicable, or if we have not obtained relevant pre-sale permit, surveying report or construction works planning permit, based upon the relevant construction works commencement permit and our internal records and estimates, which may be subject to change;

— **Saleable GFA pre-sold:** based on the executed pre-sale agreements and may not exceed the maximum permissible GFA set forth in the relevant presale permit;

(iii) Completed development projects

- **Completed GFA:** based upon the relevant completion certificate, or the relevant construction works planning permit if the completion certificate is not available or applicable;
- **Saleable GFA:** based on the relevant pre-sale permit;
- **GFA unsold:** comprises non-saleable GFA, which are ancillary facilities that cannot be sold under the PRC laws and regulations, and saleable/leaseable GFA remaining unsold, which is based on the relevant building ownership certificate and our internal records and estimates.

Cost of development incurred refer to costs of the relevant development project or development project phase including land costs, development costs, capitalised interest costs and indirect costs incurred by us, while future development costs to be incurred refer to the budgeted costs estimated to be incurred by us based on our best estimate which is based on our current development and construction work plans.

The figures regarding construction or pre-sale schedules are based on our estimates and plans of relevant projects, which may differ in the future in material respects from our current estimates.

The actual commencement date of the development project or the relevant development project phase, which has been completed or is under development, is based on the date of the relevant construction works commencement permit. The actual/estimated commencement date of the development project or the relevant development project phase held for future development is based on (i) the date of the relevant construction works commencement permit, which such permit was obtained after 30 September 2018 and prior to the Latest Practicable Date; (ii) or the internal estimates of the commencement date according to development schedule of our development projects.

The actual pre-sale commencement date of the development project or the relevant development project phase, which has been completed or is under development, is based on the date of the relevant pre-sale permit. The estimated pre-sale date of the development project or the relevant development project phase, which is under development or held for future development, is based on estimates on the date of obtaining the relevant pre-sale permit according to development schedule of our development projects.

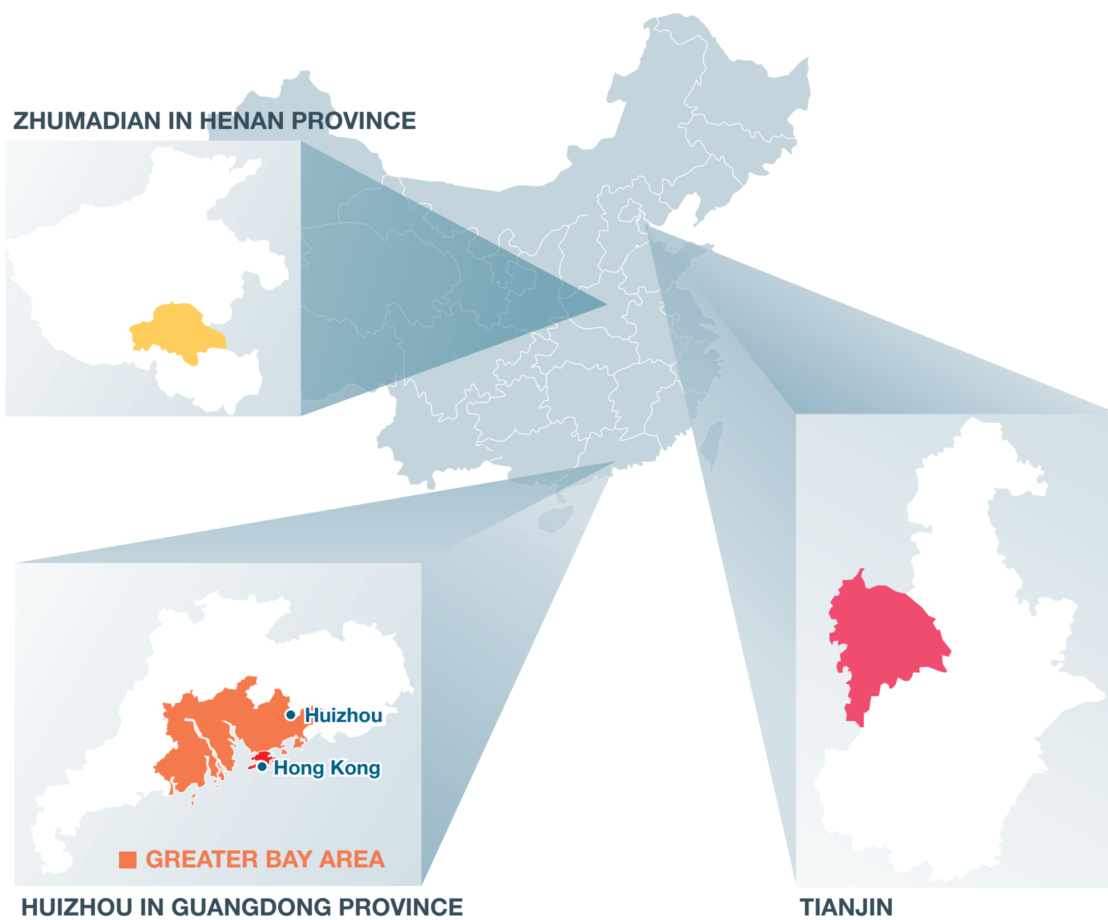
The actual completion date of the development project or the relevant development project phase, which has been completed or is under development, is based on the date of the work completion certificates, whereas the estimated completion date of the development project or the relevant development project phase under development or held for future development is based on internal estimates according to the development schedule of our development projects, the time of completion as stipulated under the relevant construction contracts, or internal estimations is based on the latest construction work progress report.

The actual/estimated delivery date of development project or development project phase, which has been completed, is based on the date stipulated on the notice of property delivery.

The names of our development projects used in this prospectus are those development project names which have been or intended to be adopted by us as the actual names of our development projects to market our properties. Some of the names of our development projects may be different from the names registered with the relevant authorities. Some of the names are subject to approval by the relevant authorities and are therefore subject to change. The English names of our development projects are for reference and marketing purposes only.

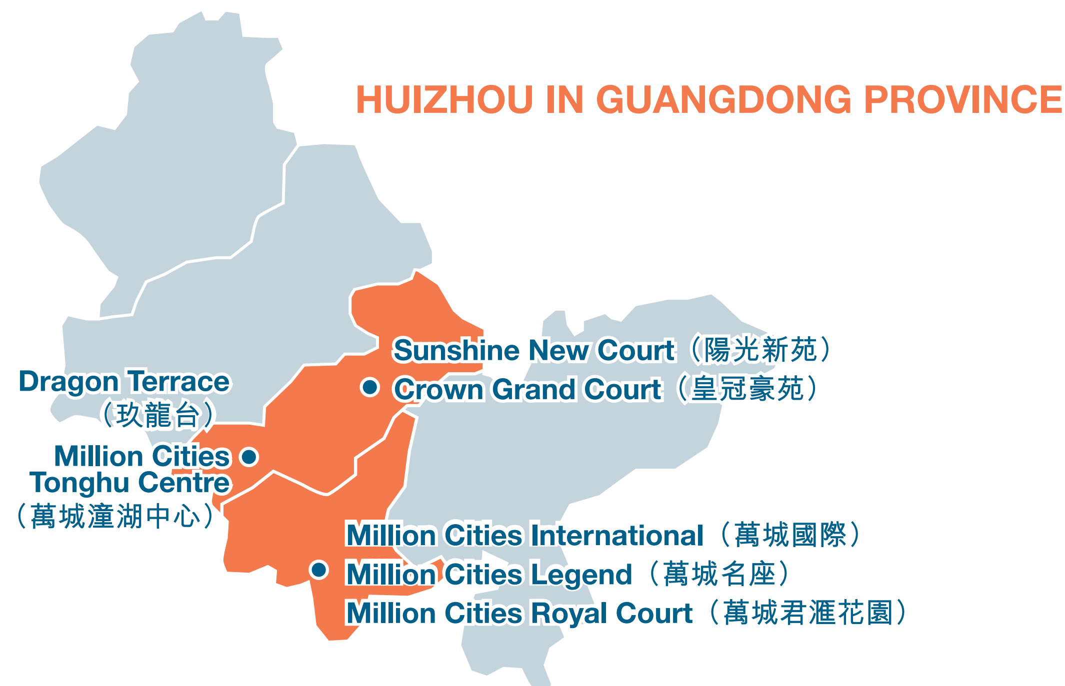
Description of our development projects

The following map shows the geographical locations of our development projects and land bank across the PRC:



Huizhou in Guangdong Province

The following map shows the geographical locations and key information of our development projects in Huizhou in Guangdong Province:



1. Million Cities International (萬城國際)

Million Cities International (萬城國際) is a residential and commercial properties project located at Baiyunkeng, Huiyang district, Huizhou, Guangdong Province, the PRC (惠州市惠陽區白雲坑), and is developed by Huizhou Cheer Happy. Huizhou Cheer Happy is a project company that is wholly owned by us. This development project occupies a site area of approximately 111,548.78 sq.m. in aggregate. Million Cities International is located at the core junction between Shenzhen, Daya Bay and Huiyang District, Huizhou in Guangdong Province, whereby Huizhou Pingtan airport, Shenzhen Bao'an International airport and Huizhou South railway station are located approximately 45 k.m., 90 k.m. and 7 k.m. from Million Cities International respectively.

The land grant premium under the relevant land grant contract of Million Cities International has been fully paid. Huizhou Cheer Happy has obtained the land use rights certificates for a majority portion of the master site of Million Cities International with four lots of State-owned land for a term expiring on 10 January 2078 for residential use and 10 January 2048 for commercial use. This development project is divided into five phases, of which Phases 1 to 3 are completed and Phases 4 and 5 are held for future development. The relevant construction land planning permit, construction works planning permits, construction works commencement permit, pre-sale permits and completion certificates have been obtained by Huizhou Cheer Happy for Million Cities International Phases 1 to 3, while the relevant construction works planning permit and construction works commencement permit have yet to be obtained in respect of Million Cities International Phases 4 and 5 as at 30 September 2018.

Phases 1 to 3

Million Cities International Phases 1 to 3 were completed and occupies an aggregate site area of approximately 50,571.00 sq.m.. These development project phases consists of 19 buildings of 17 to 25 storeys with a small commercial centre.

As at 30 September 2018, the completed GFA is approximately 189,177.27 sq.m. of which saleable GFA is approximately 140,073.42 sq.m.. As at 30 September 2018, 28,346.19 sq.m. GFA remained unsold.

As at 30 September 2018, the total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) incurred for Million Cities International Phases 1 to 3 was approximately RMB628.54 million. The above cost, being attributable by our 100% interest in Huizhou Cheer Happy as at 30 September 2018, was financed by our Group's working capital, shareholders' loans and bank loans.

The following table sets out a summary of Million Cities International Phases 1 to 3 as at 30 September 2018:

Project	Site area	Actual commencement date	Actual pre-sale commencement date	Actual completion date	Actual delivery date	Completed GFA	Saleable/ leasable GFA	GFA unsold	Cost of development(1)	Unit cost of sales per sq.m.	Market value in existing state attributable to our Group as at 30 September 2018(2)
	(sq.m.)					(sq.m.)	(sq.m.)	(sq.m.)	(RMB million)	(RMB)	(RMB million)
Million Cities International (萬城國際) Phases 1 to 3	50,571.00	Phase 1: March 2008	Phase 1: July 2008	Phase 1: September 2009	Phase 1: October 2009	189,177.27	140,073.42	28,346.19	628.54	3,248.98–4,002.06	336.00
		Phase 2: December 2009	Phase 2: April 2010	Phase 2: December 2011	Phase 2: January 2012						
		Phase 3: May 2011	Phase 3: September 2011	Phase 3: January 2013	Phase 3: March 2013						

Notes:

1. Calculated based on the (i) completed GFA of the relevant phase of the development project in proportion to the total completed GFA of the relevant development project; and (ii) our attributable interest in Huizhou Cheer Happy, being 100%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Huizhou Cheer Happy, being 100% as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

Phases 4 and 5

Million Cities International Phases 4 and 5 occupy an aggregate site area of approximately 60,977.78 sq.m. and have a planned aggregate GFA of approximately 240,558.00 sq.m. as at 30 September 2018. Phases 4 and 5 have not been commenced as at 30 September 2018 and as at the Latest Practicable Date.

The total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) for Million Cities International Phases 4 and 5 are expected to be approximately RMB1,448.37 million. As at 30 September 2018, the total cost incurred in connection with Million Cities International Phases 4 and 5 was approximately RMB28.29 million. The above cost, being attributable by our 100% interest in Huizhou Cheer Happy as at 30 September 2018, is expected to be financed by our Group's internal resources and/or bank loans.

The following table sets out a summary of Million Cities International Phases 4 and 5 as at 30 September 2018:

Project	Site area	Estimated commencement date	Estimated completion date	Estimated pre-sale date	Planned GFA	Cost of development incurred(1)	Expected future development costs(1)	Market value in existing state attributable to our Group as at 30 September 2018(2)
	(sq.m.)				(sq.m.)	(RMB million)	(RMB million)	(RMB million)
Million Cities International (萬城國際) Phases 4 and 5	60,977.78	June 2020	December 2022	January 2021	240,558.00	28.29	1,420.08	271.00

Notes:

1. Calculated based on the (i) planned GFA of the relevant phase of the development project in proportion to the total planned GFA of the relevant development project; and (ii) our attributable interest in Huizhou Cheer Happy, being 100%, as at 30 September 2018.

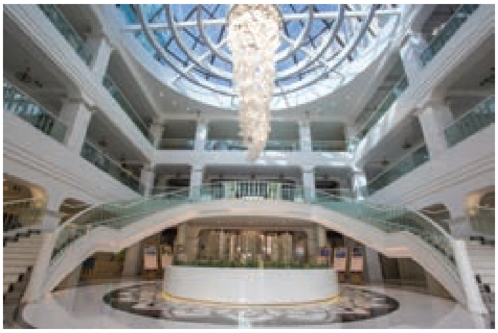
2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Huizhou Cheer Happy, being 100%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

2. *Million Cities Legend (萬城名座)*

Million Cities Legend (萬城名座) is a residential and commercial properties development project located at Jinhui avenue, Huiyang district, Huizhou, Guangdong Province, the PRC (惠陽區金惠大道), and is developed by Huizhou Million Cities, a project company that was owned by us as to approximately 54.5% as at 30 September 2018. This development project occupies a site area of approximately 89,899.00 sq.m. in aggregate. Million Cities Legend is located at the core junction between Shenzhen, Daya Bay and Huiyang district, Huizhou, Guangdong Province, the PRC. It is situated at a convenient location as it is located within 500 metres from the Shenzhen subway to be developed by the local government, and 2 k.m. from Shenzhen Kangxi (深圳坑梓), where Shenzhen Grand Industrial Zone Central Park (深圳市大工業區) is situated nearby, and Huiyang district government.

The land grant premium under the relevant land grant contracts of Million Cities Legend, including premium for modification of the usage of the master site, has been fully paid. Huizhou Million Cities has obtained the land use rights certificates for a majority portion of the master site of Million Cities Legend with three lots of State-owned land. The relevant construction land planning permits have been obtained by Huizhou Million Cities for the master site area of Million Cities Legend, with the development project being divided into three phases, the details of which are set out below:

Phases	Status	Permitted use and land use rights expiry date	Relevant construction-related permit(s)/certificate(s) obtained as at 30 September 2018
Phase 1	Completed	— Residential: 31 August 2081 — Commercial: 31 August 2051	— Construction works planning permits — Construction works commencement permits — Pre-sale permits — Completion certificates
Phase 2	Under development	— Residential: 31 August 2081 — Commercial: 31 August 2051 — Residential: 20 August 2086 — Commercial: 20 August 2056	— Construction works planning permits — Construction works commencement permits — Pre-sale permits
Phase 3	Under development	— Residential: 31 August 2081 — Commercial: 31 August 2051	— Construction works planning permits — Construction works commencement permits



Phase 1

Million Cities Legend Phase 1 was completed and occupies an aggregate site area of approximately 33,915.55 sq.m.. This phase consists of nine 28 to 32-storey high-rise apartments and commercial properties.

As at 30 September 2018, the completed GFA is approximately 144,743.00 sq.m. of which saleable/leasable GFA is approximately 100,320.64 sq.m.. As at 30 September 2018, approximately 41,928.04 sq.m. GFA remained unsold.

As at 30 September 2018, the total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) incurred for Million Cities Legend Phase 1 was approximately RMB589.08 million. The above cost, being attributable by our 54.5% interest in Huizhou Million Cities as at 30 September 2018, was financed by our Group's working capital and bank loans.

The following table sets out a summary of Million Cities Legend Phase 1 as at 30 September 2018:

Project	Site area	Actual commencement date	Actual pre-sale commencement date	Actual completion date	Actual delivery date	Completed GFA	Saleable/ leasable GFA	GFA unsold	Cost of development	Unit cost of sales per sq.m.[1]	Market value in existing state attributable to our Group as at 30 September 2018[2]
	(sq.m.)					(sq.m.)	(sq.m.)	(sq.m.)	(RMB million)	(RMB)	(RMB million)
Million Cities Legend (萬城名座) Phase 1	33,915.55	December 2013	September 2014	July 2016	July 2016	144,743.00	100,320.64	41,928.04	589.08	4,505.31	80.12

Notes:

1. Calculated based on the (i) completed GFA of the relevant phase of the development project in proportion to the total completed GFA of the relevant development project; and (ii) our attributable interest in Huizhou Million Cities, being approximately 54.5%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Huizhou Million Cities, being approximately 54.5%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

Phase 2

Million Cities Legend Phase 2 occupies an aggregate site area of approximately 33,084.00 sq.m. and has a GFA under development of approximately 162,315.00 sq.m.. Phase 2 was under development as at 30 September 2018.

The total development costs (including land acquisition costs, construction costs, capitalised borrowing costs and indirect cost) for Million Cities Legend Phase 2 incurred was approximately RMB552.94 million as at 30 September 2018. The above cost, being attributable by our approximately 54.5% interest in Huizhou Million Cities as at 30 September 2018, was financed by our Group's internal resources, shareholder's loans and bank loans. It is expected that the future development costs would be approximately RMB416.11 million, which would be financed by our Group's internal resources and/or bank loans.

As at 30 September 2018, Million Cities Legend Phase 2 was yet to be completed and it is expected that completion would take place in or around the fourth quarter of 2018. Huizhou Million Cities will apply for the completion certificate for the construction of Million Cities Legend Phase 2 according to the development schedule.

The following table sets out particulars of Million Cities Legend Phase 2 as at 30 September 2018:

Project	Site area	Actual commencement date	Estimated completion date	Actual pre-sale date	GFA under development	Saleable GFA	Saleable GFA pre-sold	Cost of development incurred[1]	Expected future development costs[1]	Market value in existing state attributable to our Group as at 30 September 2018[2]
	(sq.m.)				(sq.m.)	(sq.m.)	(sq.m.)	(RMB million)	(RMB million)	(RMB million)
Million Cities Legend (萬城名座) Phase 2	33,084.00	January 2017	December 2018	January 2018	162,315.00	114,504.31	70,066.00	552.94	416.11	531.92

Notes:

1. Calculated based on the (i) GFA under development of the relevant phase of the development project in proportion to the total GFA under development of the relevant development project; and (ii) our attributable interest in Huizhou Million Cities, being approximately 54.5%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Huizhou Million Cities, being approximately 54.5%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

Phase 3

Million Cities Legend Phase 3 occupies an aggregate site area of approximately 22,899.45 sq.m. and has a GFA under development of approximately 112,140.00 sq.m.. Phase 3 was under development as at 30 September 2018.

The total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) for Million Cities Legend Phase 3 are expected to be approximately RMB603.52 million. As at 30 September 2018, the total cost incurred in connection with Million Cities Legend Phase 3 was approximately RMB39.73 million. The above cost was attributable by our 54.5% interest in Huizhou Million Cities as at 30 September 2018 is expected to be financed by our Group's internal resources, bank loans and/or proceeds from the Global Offering.

As at 30 September 2018, Million Cities Legend Phase 3 was yet to be completed and it is expected that completion would take place in or around the third quarter of 2020. Huizhou Million Cities will apply for the completion certificate for the construction of Million Cities Legend Phase 3 according to the development schedule.

The following table sets out a summary of Million Cities Legend Phase 3 as at 30 September 2018:

Project	Site area	Actual commencement date	Estimated completion date	Estimated pre-sale date	GFA under development	Saleable GFA	Saleable GFA pre-sold	Cost of development incurred[1]	Expected future cost of development[1]	Market value in existing state attributable to our Group as at 30 September 2018[2]
	(sq.m.)				(sq.m.)	(sq.m.)	(sq.m.)	(RMB million)	(RMB million)	(RMB million)
Million Cities Legend (萬城名座) Phase 3	22,899.45	April 2018	September 2020	July 2019	112,140.00	76,074.00	—	39.73	563.79	66.49

Notes:

1. Calculated based on the (i) GFA under development of the relevant phase of the development project in proportion to the total planned GFA of the relevant development project; and (ii) our attributable interest in Huizhou Million Cities, being approximately 54.5%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Huizhou Million Cities, being approximately 54.5%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

3. *Million Cities Royal Court (萬城君滙花園)*

Million Cities Royal Court (萬城君滙花園) is a residential and commercial properties development project located at Jinhui avenue, Huiyang district, Huizhou, Guangdong Province, the PRC (惠陽區金惠大道), and is developed by Huizhou Million Cities, a project company that was owned by us as to approximately 54.5% as at 30 September 2018. This development project occupies a site area of approximately 47,679.00 sq.m.. For details of the location of Million Cities Royal Court, please refer to the paragraph headed "2. Million Cities Legend (萬城名座)" in this section as they are at the same location.

The land grant premium under the relevant land grant contracts of Million Cities Royal Court (excluding premium for modification of the usage of the master site) has been fully paid. Huizhou Million Cities has obtained the land use rights certificates for the master site of Million Cities Royal Court with two lots of State-owned land, the details of which are set out below:

Status	Permitted use and land use rights expiry date	Relevant construction-related permit(s)/certificate(s) obtained as at 30 September 2018
Future development	Composite use: 10 January 2052	Nil

As at the Latest Practicable Date, Huizhou Million Cities has not applied for the modification of permitted usage of Million Cities Royal Court from composite use to residential use. We plan to complete the modification of the permitted land usage of Million Cities Royal Court with the relevant government authorities by late 2019.

Million Cities Royal Court occupies an aggregate site area of approximately 47,679.00 sq.m. and has a planned aggregate GFA of approximately 150,475.00 sq.m.. Million Cities Royal Court have not been commenced construction as at 30 September 2018. As at the Latest Practicable Date, the piece of land for Million Cities Royal Court is subject to mortgage, and such piece of land cannot be transferred until the (i) release of such mortgage; and (ii) satisfaction of the conditions prescribed under the land grant contract, Urban Real Estate Law and other laws or regulations.

The total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) for Million Cities Royal Court is expected to be approximately RMB943.95 million. As at 30 September 2018, the total cost incurred in connection with Million Cities Royal Court was approximately RMB4.49 million. The above cost was attributable by our 54.5% interest in Huizhou Million Cities as at 30 September 2018 is expected to be financed by our Group's internal resources and/or bank loans.

The following table sets out a summary of Million Cities Royal Court as at 30 September 2018:

Project	Site area	Estimated commencement date	Estimated completion date	Estimated pre-sale date	Planned GFA	Cost of development incurred[1]	Expected future development costs[1]	Market value in existing state attributable to our Group as at 30 September 2018[2]
	(sq.m.)				(sq.m.)	(RMB million)	(RMB million)	(RMB million)
Million Cities Royal Court (萬城君滙花園)	47,679.00	June 2020	December 2022	January 2021	150,475.00	4.49	939.46	64.31

Notes:

1. Calculated based on the (i) planned GFA of the relevant phase of the development project in proportion to the total planned GFA of the relevant development project; and (ii) our attributable interest in Huizhou Million Cities, being approximately 54.5%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Huizhou Million Cities, being approximately 54.5%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

4. Sunshine New Court(陽光新苑) Phases 1 and 2

Sunshine New Court (陽光新苑) is a residential and commercial properties development project located at Renmin South 4th Road, Huicheng district, Huizhou, Guangdong Province, the PRC (惠城區人民南四路), and is developed by Huizhou Yuefu. Huizhou Yuefu is a project company that was owned by us as to approximately 95.39% as at 30 September 2018. This development project occupies a site area of approximately 32,109.70 sq.m.. Sunshine New Court enjoys developed cities' ancillary facilities in the city centre of Huizhou in Guangdong Province, such as Jiangbei Area (江北), Dongping Area (東平) and Jinshan Lake Area (金山湖區) in Huicheng District. A smart mobile phone application and smart community property management services are available for the residents of Sunshine New Court, such as unlocking reception gates, paying management fees or receive residents' notices on the application, which we believe could bring convenience to our customers.

The land grant premium, including premium for increase in floor area ratio of the subject site for Sunshine New Court, under the relevant land grant contracts of Sunshine New Court has been fully paid. Huizhou Yuefu has obtained the land use rights certificates for the State-owned land for a term expiring on 1 March 2073 for residential use and a term expiring on 1 March 2043 for commercial use. This development project is divided into two phases, both of which were completed as at 30 September 2018. The relevant construction land planning permit, construction works planning permits, construction works commencement permits, pre-sale permits and completion certificates have been obtained by Huizhou Yuefu for Sunshine New Court Phases 1 and 2 as at 30 September 2018.

This development project consists of six 12-to-25-storey high-rise apartment buildings with a small commercial centre and a kindergarten as ancillary facility for the residents of Sunshine New Court as well individuals who live in such neighbourhood. As at 30 September 2018, the aggregate completed GFA is approximately 117,297.96 sq.m. of which saleable/leasable GFA is approximately 85,550.07 sq.m.. As at 30 September 2018, approximately 19,998.88 sq.m. GFA remained unsold.

As at 30 September 2018, the total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) incurred for Sunshine New Court Phases 1 and 2 was approximately RMB384.14 million. The above cost, being attributable by our 95.39% interest in Huizhou Yuefu as at 30 September 2018, was financed by our Group's working capital and shareholders' loans.

The following table sets out a summary of Sunshine New Court Phases 1 and 2 as at 30 September 2018:

Project	Site area	Actual commencement date	Actual pre-sale commencement date	Actual completion date	Actual delivery date	Completed GFA	Saleable/ leasable GFA	GFA unsold	Cost of development[(1)]	Unit cost of sales per sq.m.	Market value in existing state attributable to our Group as at 30 September 2018[(2)]
	(sq.m.)					(sq.m.)	(sq.m.)	(sq.m.)	(RMB million)	(RMB)	(RMB million)
Sunshine New Court (陽光新苑) Phases 1 and 2	32,109.70	Phase 1: September 2008	Phase 1: June 2012[(3)]	Phase 1: October 2010	Phase 1: March 2018[(4)]	117,297.96	85,550.07	19,998.88	384.14	3,695.22–3,890.55	34.34
		Phase 2: September 2014	Phase 2: June 2015	Phase 2: September 2016	Phase 2: October 2016						

Notes:

1. Calculated based on the (i) completed GFA of the relevant phase of the development project in proportion to the total completed GFA of the relevant development project; and (ii) our attributable interest in Huizhou Yuefu, being approximately 95.39%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Huizhou Yuefu, being approximately 95.39%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

3. As there was no pre-sale for Sunshine New Court Phase 1, it represents the date of the sale permit of such development project.

4. After completion of the construction of Sunshine New Court Phase 1 in October 2010, it was rented out to Huizhou Crowne Hotel as staff quarter between December 2010 and March 2017. Due to the increase in average selling price of residential properties in Huizhou between 2015 and 2016, Huizhou Yuefu decided to sell Sunshine New Court Phase 1 to obtain more sales revenue. With the lease of Sunshine New Court Phase 1 to Huizhou Crowne Hotel terminated in March 2017, delivery of units in Sunshine New Court Phase 1 subsequently took place in March 2018. The prolonged time gap between actual completion date and actual delivery date was solely due to change of usage of Sunshine New Court Phase 1. Our Group had not encountered any difficulties in obtaining the relevant licences or permits or otherwise in the course of development of such project.

5. *Crown Grand Court (皇冠豪苑)*

Crown Grand Court (皇冠豪苑) is a residential and commercial properties development project located at south of Jichang Road, Huicheng district, Huizhou, Guangdong Province, the PRC (惠州市惠城區機場路以南), enjoying beautiful scenery of Lujiang* (鹿江). Such development project is developed by Huizhou China Field and occupies a site area of approximately 43,928.80 sq.m. in aggregate. Huizhou China Field is a project company that is wholly owned by us. Crown Grand Court enjoys developed cities' ancillary facilities in city centre of Huizhou in Guangdong Province, such as Jiangbei Area, Dongping Area and Jinshan Lake Area in Huicheng District, Huizhou in Guangdong Province.

Crown Grand Court has a GFA under development of approximately 74,746.10 sq.m.. The land grant premium under the relevant land grant contract of Crown Grand Court has been fully paid. Huizhou China Field has obtained the land use rights certificate for a lot of State-owned land for residential and commercial uses for various terms, expiring on 30 December 2082 and 30 December 2052, respectively. The relevant construction land planning permits, construction works planning permit and construction works commencement permit have been obtained by Huizhou China Field for Crown Grand Court as at 30 September 2018. In addition, Huizhou China Field has also obtained the relevant pre-sale permit for a portion of Crown Grand Court as at 30 September 2018.

This development project consists of three multi-storey high-rise apartment buildings, 23 villas with a cultural community centre, shops and underground car parking spaces as ancillary facilities for residents of Crown Grand Court as well for other people living in such neighbourhood. The total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect cost) for Crown Grand Court are expected to be approximately RMB333.36 million. As at 30 September 2018, the total cost incurred in connection with Crown Grand Court was approximately RMB248.50 million. The above cost is expected to be financed by our Group's internal resources and/or bank loans.

As at 30 September 2018, Crown Grand Court was yet to be completed and it is expected that completion would take place in or around first quarter of 2019. Huizhou China Field will apply for the completion certificate for the construction of Crown Grand Court according to the development schedule. As at 30 September 2018, approximately 59.08% of the total saleable area of Crown Grand Court was pre-sold.

As at the Latest Practicable Date, the piece of land and the unsold portion for Crown Grand Court is subject to mortgage, and such piece of land and such unsold portion cannot be transferred until the release of such mortgage.

The following table sets out particulars of Crown Grand Court as at 30 September 2018:

Project	Site area	Actual commencement date	Estimated completion date	Actual pre-sale date	GFA under development	Saleable GFA	Saleable GFA pre-sold	Cost of development incurred	Expected future cost of development	Market value in existing state attributable to our Group as at 30 September 2018[Note]
	(sq.m.)				(sq.m.)	(sq.m.)	(sq.m.)	(RMB million)	(RMB million)	(RMB million)
Crown Grand Court (皇冠豪苑)	43,928.80	August 2017	February 2019	May 2018	74,746.10	33,460.66	19,767.00	248.50	84.86	444.00

Note: It does not include attributable value of non-saleable amenities. For further details, please refer to Appendix III to this prospectus.

6. *Dragon Terrace (玖龍台)*

Dragon Terrace (玖龍台) is a residential and commercial properties development project located at Tonghu Ecological Intelligent Zone, Huizhou, Guangdong Province, the PRC (潼湖生態智慧區). Such development project is developed by Huizhou Well Kong and occupies a site area of approximately 94,891.00 sq.m.. Huizhou Well Kong is a project company that is owned by us as to 50%. Huizhou Well Kong is our joint venture and our Group uses equity method to account for our investment in joint ventures in our consolidated financial statements. Dragon Terrace is located in Huizhou Tonghu Ecological Intelligent Zone (惠州潼湖生態智慧區) which has close proximity to an ecological protection wetland zone, the local railway station, Huizhou airport and Huizhou port.

The land grant premium under the relevant land grant contract of Dragon Terrace has been fully paid. Huizhou Well Kong has obtained the real estate title certificate for a lot of State-owned land for residential and commercial uses, expiring on 8 June 2087 and 8 June 2057, respectively. This development project is divided into two phases, of which (i) Phase 1 was under development; and (ii) Phase 2 was held for future development. The relevant construction land planning permit, construction works planning permits and construction works commencement permits have been obtained by Huizhou Well Kong for Dragon Terrace Phase 1 as at 30 September 2018, while the relevant land planning permit and construction works planning permits of certain portion of the property have been obtained by Huizhou Well Kong for Dragon Terrace Phase 2 as at 30 September 2018.

Phase 1

Dragon Terrace Phase 1 occupies a GFA under development of approximately 149,586.49 sq.m.. Dragon Terrace Phase 1 consists of 11 multi-storey high-rise apartment buildings with a commercial complex.

As at 30 September 2018, the total development costs (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) for Dragon Terrace Phase 1 are expected to be approximately RMB812.98 million. As at 30 September 2018, the total cost incurred in connection with Dragon Terrace Phase 1 was approximately RMB318.58 million. The above cost was attributable by our 50% interest in Huizhou Well Kong as at 30 September 2018 is expected to be financed by our Group's internal resources and/or bank loans.

As at 30 September 2018, Dragon Terrace Phase 1 was yet to be completed and it is expected that completion would take place in or around the fourth quarter of 2020. Huizhou Well Kong will apply for the completion certificate for the construction of Dragon Terrace Phase 1 according to the development schedule.

The following table sets out particulars of Dragon Terrace Phase 1 as at 30 September 2018:

Project	Site area (sq.m.)	Actual commencement date	Estimated completion date	Estimated pre-sale date	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Cost of development incurred[1] (RMB million)	Expected future cost of development[1] (RMB million)	Market value in existing state attributable to our Group as at 30 September 2018[2] (RMB million)
Dragon Terrace (玖龍台) Phase 1	52,325.00	March 2018	December 2020	January 2019	149,586.49	124,026.00	—	318.58	494.40	246.00

Notes:

1. Calculated based on the (i) GFA under development of the relevant phase of the development project in proportion to the total GFA under development of the relevant development project; and (ii) our attributable interest in Huizhou Well Kong, being 50%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. For further details, please refer to Appendix III to this prospectus.

Phase 2

Dragon Terrace Phase 2 occupies an aggregate site area of approximately 42,566.00 sq.m. and has a planned GFA of approximately 222,299.00 sq.m.. Dragon Terrace Phase 2 has not been commenced as at 30 September 2018. Dragon Terrace Phase 2 would consist of six high-rise residential apartment buildings and three commercial buildings.

As at 30 September 2018, the total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) for Dragon Terrace Phase 2 was expected to be approximately RMB1,181.62 million. As at 30 September 2018, the total cost incurred in connection with Dragon Terrace Phase 2 was approximately RMB293.28 million. The above cost attributable by our 50% interest in Huizhou Well Kong as at 30 September 2018 is expected to be financed by our Group's internal resources and/or bank loans.

The following table sets out a summary of Dragon Terrace Phase 2 as at 30 September 2018:

Project	Site area	Estimated commencement date	Estimated completion date	Estimated pre-sale date	Planned GFA	Cost of development incurred(1)	Expected future cost of development(1)	Market value in existing state attributable to our Group as at 30 September 2018(2)
	(sq.m.)				(sq.m.)	(RMB million)	(RMB million)	(RMB million)
Dragon Terrace (玖龍台) Phase 2	42,566.00	December 2018	March 2021	August 2019	222,299.00	293.28	888.33	171.50

Notes:

1. Calculated based on the (i) planned GFA of the relevant phase of the development project in proportion to the total planned GFA of the relevant development project; and (ii) our attributable interest in Huizhou Well Kong, being 50%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. For further details, please refer to Appendix III to this prospectus.

7. Million Cities Tonghu Centre (萬城潼湖中心)

Million Cities Tonghu Centre (萬城潼湖中心) is a commercial properties development project located at Tonghu Ecological Intelligent Zone, Huizhou, Guangdong Province, the PRC (潼湖生態智慧區) and occupies an aggregate site area of approximately 55,596.00 sq.m.. This project would be developed by Huizhou Well Kong, a project company that is owned by our Group as to 50%. Huizhou Well Kong is our joint venture and our Group uses equity method to account for our investment in joint ventures in our consolidated financial statements. Million Cities Tonghu Centre is located at Huizhou Tonghu Ecological Intelligent Zone which has close proximity to an ecological protection wetland zone and the local railway station. The land grant premium under the relevant land grant contract of Million Cities Tonghu Centre has been fully paid. Huizhou Well Kong has obtained the land use rights certificates for Million Cities Tonghu Centre with a lot of State-owned land for a term expiring on 8 June 2057 for commercial use. This development project has not been commenced as at 30 September 2018. The relevant construction land planning permit has been obtained by Huizhou Well Kong as at 30 September 2018, while the relevant construction works commencement permit has yet to be obtained by Huizhou Well Kong as at 30 September 2018. This development project has a planned GFA of approximately 378,642.00 sq.m..

As at 30 September 2018, the total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) for Million Cities Tonghu Centre was expected to be approximately RMB1,591.21 million. As at 30 September 2018, the total cost incurred in connection with Million Cities Tonghu Centre was approximately RMB317.92 million. The above cost attributable by our 50% interest in Huizhou Well Kong as at 30 September 2018 is expected to be financed by our Group's internal resources and/or bank loans.

As at the Latest Practicable Date, the piece of land for Million Cities Tonghu Centre is subject to mortgage, and such piece of land cannot be transferred until the release of such mortgage.

The following table sets out a summary of Million Cities Tonghu Centre as at 30 September 2018:

Project	Site area (sq.m.)	Estimated commencement date	Estimated completion date	Estimated pre-sale date	Planned GFA (sq.m.)	Cost of development incurred[1] (RMB million)	Expected future cost of development[1] (RMB million)	Market value in existing state attributable to our Group as at 30 September 2018[2] (RMB million)
Million Cities Tonghu Centre (萬城潼湖中心)	55,596.00	June 2019	January 2025	May 2020	378,642.00	317.92	1,273.29	230.00

Notes:

1. Calculated based on our attributable interest in Huizhou Well Kong, being 50%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Huizhou Well Kong, being 50%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

Tianjin

The following map shows the geographical locations and key information of our development projects in Tianjin:

8. Million Cities Tycoon Place (萬城聚豪)

Million Cities Tycoon Place (萬城聚豪) is a residential properties development project located at No. 123 Jiahe road, Wuqing district, Tianjin, the PRC (武清嘉河道123號) and is developed by Tianjin Jianji. Million Cities Tycoon Place is developed by Tianjin Jianji, a project company that is owned by us as to approximately 55%. This development project occupies a site area of approximately 159,882.10 sq.m. in aggregate. Million Cities Tycoon Place is located in the outskirt of Tianjin city which has a close proximity to Tianjin city centre and Beijing South railway station.

The land grant premium including premium for postponement of construction commencement dates and completion date, under the relevant land grant contract of Million Cities Tycoon Place has been fully paid. Tianjin Jianji has obtained the real estate title certificate for a lot of State-owned land for commercial and residential use, expiring on 29 October 2052 and 29 October 2082, respectively. This development project is divided into four phases, of which Phases 1 and 2 were completed, and Phases 3 and 4 were under development as at 30 September 2018. The relevant construction land planning permit has been obtained by Tianjin Jianji for the master site area of Million Cities Tycoon Place, while the relevant construction works planning permits, construction works commencement permit, pre-sale permits and completion certificates have also been obtained by Tianjin Jianji for Million Cities Tycoon Place Phases 1 and 2 as at 30 September 2018. Tianjin Jianji has obtained the relevant construction works planning permits and construction works commencement permits for Million Cities Tycoon Phases 3 and 4 as at 30 September 2018.

As at the Latest Practicable Date, (i) certain unsold portion of Million Cities Tycoon Place Phases 1 and 2; and (ii) properties under development for Million Cities Tycoon Place Phases 3 and 4 are subject to mortgage, and such properties cannot be transferred until the release of such mortgage.

Phases 1 and 2

Million Cities Tycoon Place Phases 1 and 2 were completed and occupies an aggregate site area of approximately 84,808.30 sq.m.. These development project phases consist of 10 multi-storey high-rise apartment buildings, 17 "duplex-on-duplex" villas and a clubhouse.

As at 30 September 2018, the aggregate completed GFA is approximately 173,390.08 sq.m. of which saleable/leaseable GFA is approximately 127,937.48 sq.m.. As at 30 September 2018, approximately 18,211.46 sq.m. saleable GFA remained unsold.

As at 30 September 2018, the total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) incurred for Million Cities Tycoon Place Phases 1 and 2 was approximately RMB873.14 million. The above cost, being attributable by our 55% interest in Tianjin Jianji as at 30 September 2018, was financed by our Group's working capital, shareholders' loans and bank loans.

The following table sets out a summary of Million Cities Tycoon Place Phases 1 and 2:

Project	Site area	Actual commencement date	Actual pre-sale commencement date	Actual completion date	Actual delivery date	Completed GFA	Saleable/ leasable GFA	GFA unsold	Cost of development(1)	Unit cost of sales per sq.m.	Market value in existing state attributable to our Group as at 30 September 2018(2)
	(sq.m.)					(sq.m.)	(sq.m.)	(sq.m.)	(RMB million)	(RMB)	(RMB million)
Million Cities Tycoon Place (萬城聚豪) Phases 1 and 2	84,808.30	Phase 1: March 2015	Phase 1: September 2015	Phase 1: October 2017	Phase 1: November 2017	173,390.08(3)	127,937.48	18,211.46	873.14	5,777.60	107.25
		Phase 2: April 2015	Phase 2: November 2015	Phase 2: October 2017	Phase 2: November 2017						

Notes:

1. Calculated based on the (i) completed GFA of the relevant phase of the development project in proportion to the total completed GFA of the relevant development project; and (ii) our attributable interest in Tianjin Jianji, being approximately 55%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Tianjin Jianji, being approximately 55%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

3. As at the Latest Practicable Date, we have completed the construction of one of the buildings for Million Cities Tycoon Place Phase 1 but yet to obtain the completion certificate. The total completed GFA of Million Cities Tycoon Place Phases 1 and 2 do not include the completed GFA of such building.

Phase 3

Million Cities Tycoon Place Phase 3 occupies an aggregate site area of approximately 46,461.96 sq.m. and has a GFA under development of approximately 91,344.55 sq.m. as at 30 September 2018. Million Cities Tycoon Place Phase 3 has commenced construction as at 30 September 2018.

The total development costs (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) for Million Cities Tycoon Place Phase 3 are expected to be approximately RMB512.37 million. As at 30 September 2018, the total cost incurred in connection with Million Cities Tycoon Place Phase 3 was approximately RMB73.90 million. The above cost, being attributable by our approximately 55% interest in Tianjin Jianji as at 30 September 2018, is expected to be financed by our Group's internal resources and/or bank loans.

As at 30 September 2018, Million Cities Tycoon Place Phase 3 was yet to be completed and it is expected that completion would take place in or around the fourth quarter of 2022. Tianjin Jianji will apply for the completion certificate for the construction of Million Cities Tycoon Place Phase 3 according to the development schedule.

Phase 4

Million Cities Tycoon Place Phase 4 occupies a site area of approximately 28,611.84 sq.m. and has a planned GFA of approximately 72,750.61 sq.m. as at 30 September 2018. Million Cities Tycoon Place Phase 4 would consist of seven 14-storey high-rise apartment buildings.

The total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) for Million Cities Tycoon Place Phase 4 are expected to be approximately RMB422.92 million. As at 30 September 2018, the total cost incurred in connection with Million Cities Tycoon Place Phase 4 was approximately RMB153.65 million. The above cost, being attributable by our approximately 55% interest in Tianjin Jianji as at 30 September 2018, is expected to be financed by our Group's internal resources and/or bank loans.

As at 30 September 2018, Million Cities Tycoon Place Phase 4 was yet to be completed and it is expected that completion would take place in or around the fourth quarter of 2021. Tianjin Jianji will apply for the completion certificate for the construction of Million Cities Tycoon Place Phase 4 according to the development schedule.

The following table sets out a summary of Million Cities Tycoon Place Phases 3 and 4 as at 30 September 2018:

Project	Site area (sq.m.)	Actual commencement date	Estimated completion date	Actual/estimated pre-sale date	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Cost of development incurred(1) (RMB million)	Expected future cost of development(1) (RMB million)	Market value in existing state attributable to our Group as at 30 September 2018(2) (RMB million)
Million Cities Tycoon Place (萬城聚豪) Phase 3	46,461.96	September 2018	October 2022	October 2019	91,344.55	57,199.60	—	73.90	438.47	152.90
Million Cities Tycoon Place (萬城聚豪) Phase 4	28,611.84	April 2018	December 2021	September 2018	72,750.61	49,620.74	18,420.00	153.65	269.27	114.40

Notes:

1. Calculated based on the (i) GFA under development of the relevant phase of the development project in proportion to the total planned GFA of the relevant development project; and (ii) our attributable interest in Tianjin Jianji, being approximately 55%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Tianjin Jianji, being approximately 55%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

9. Legend Plaza (名座廣場)

Legend Plaza (名座廣場) is a commercial properties development project located at the South of Jiahe Road, Wuqing District, Tianjin, the PRC (天津市武清區嘉河道南側) and occupies an aggregate site area of approximately 39,756.30 sq.m.. Legend Plaza is located in the outskirt of Tianjin city which has a close proximity to Beijing. Such development project is developed by Tianjin Jianji. Tianjin Jianji is a project company that is owned by us as to 55%.

This development project has an aggregate GFA under development of approximately 9,266.63 sq.m. as at 30 September 2018. The land grant premium under the relevant land grant contract of Legend Plaza has been fully paid. Tianjin Jianji has obtained the real estate title certificate for a lot of State-owned land for commercial use expiring on 13 June 2053. The relevant construction land planning permit, construction works planning permit and construction works commencement permit have been obtained by Tianjin Jianji as at 30 September 2018.

As at 30 September 2018, the total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) for Legend Plaza are expected to be approximately RMB408.45 million. As at 30 September 2018, the total cost incurred in connection with Legend Plaza was approximately RMB64.47 million. The above cost, being attributable by our 55% interest in Tianjin Jianji as at 30 September 2018, is expected to be financed by our Group's internal resources and/or bank loans.

As at 30 September 2018, Legend Plaza was yet to be completed and it is expected that completion would take place in or around the third quarter 2021. Tianjin Jianji will apply for the completion certificate for the construction of Legend Plaza according to the development schedule.

The following table sets out particulars of Legend Plaza as at 30 September 2018:

Project	Site area	Actual commencement date	Estimated completion date	Estimated pre-sale date	GFA under development	Saleable GFA	Saleable GFA pre-sold	Cost of development incurred[1]	Expected future cost of development[1]	Market value in existing state attributable to our Group as at 30 September 2018[2]
	(sq.m.)				(sq.m.)	(sq.m.)	(sq.m.)	(RMB million)	(RMB million)	(RMB million)
Legend Plaza (名座廣場)	39,756.30	November 2015	August 2021	September 2019	9,266.63	79,512.00	—	64.47	343.98	63.25

Notes:

1. Calculated based on our attributable interest in Tianjin Jianji, being approximately 55%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Tianjin Jianji, being approximately 55%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

Zhumadian in Henan Province

As at 30 September 2018, we only have two development projects, namely Dragon Palace Phase 1 and 2, in Zhumadian in Henan Province. The following map shows the geographical location of Dragon Palace in Zhumadian in Henan Province:

10. Dragon Palace (聚瓏灣)

Dragon Palace (聚瓏灣) is a residential properties development project located at the south of Hexing road, Suiping county, Zhumadian, Henan Province, the PRC (駐馬店市遂平縣和幸路) and is developed by Henan Julong. Henan Julong is a project company that is owned by us indirectly as to approximately 30%. Henan Julong is our associate and our Group uses equity method to account for our investment in associates in our consolidated financial statements. This development project occupies a site area of approximately 221,553.77 sq.m. in aggregate. Dragon Palace is located in a historical city near the high speed railway station in the PRC.

The land grant premium under the relevant land grant contracts of Henan Julong has been fully paid. Henan Julong has obtained the real estate title certificates for four lots of State-owned land for residential uses, all expiring on 12 November 2087. This development project is divided into two phases, of which Phase 1 is under development and Phase 2 is held for future development. The relevant construction land planning permit, construction works planning permits, construction works commencement permit and pre-sale permits have been obtained by Henan Julong for Dragon Palace Phase 1, while the relevant construction works planning permit and construction works commencement permit have yet to be obtained in respect of Dragon Palace Phase 2 as at 30 September 2018.

Phase 1

Dragon Palace Phase 1 occupies a GFA under development of approximately 241,644.30 sq.m.. Dragon Palace Phase 1 consists of 17 multi-storey high-rise apartment buildings and 7 mid-rise apartment buildings.

As at 30 September 2018, the total development costs (including land acquisition costs, construction costs, capitalised borrowing costs and indirect costs) for Dragon Palace Phase 1 are expected to be approximately RMB782.03 million. As at 30 September 2018, the total cost incurred in connection with Dragon Palace Phase 1 was approximately RMB197.99 million. The above cost was attributable by our approximately 30% interest in Henan Julong as at 30 September 2018 is expected to be financed by our Group's internal resources and/or bank loans.

As at 30 September 2018, Dragon Palace Phase 1 was yet to be completed and it is expected that completion would take place in or around the second quarter of 2020. Henan Julong will apply for the completion certificate for the construction of Dragon Palace Phase 1 according to the development schedule. As at 30 September 2018, approximately none of the total saleable area of Dragon Palace Phase 1 was pre-sold.

The following table sets out particulars of Dragon Palace Phase 1 as at 30 September 2018:

Project	Site area (sq.m.)	Actual commencement date	Estimated completion date	Actual pre-sale date	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Cost of development incurred[1] (RMB million)	Expected future cost of development[1] (RMB million)	Market value in existing state attributable to our Group as at 30 September 2018[2] (RMB million)
Dragon Palace (聚瓏灣) Phase 1	115,361.38	July 2018	May 2020	September 2018	241,644.30[3]	18,608.20	—	197.99	548.04	243.90

Notes:

1. Calculated based on the (i) GFA under development of the relevant phase of the development project in proportion to the total GFA under development of the relevant development project; and (ii) our attributable interest in Henan Julong, being approximately 30%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. For further details, please refer to Appendix III to this prospectus.

3. Based on the construction works planning permit as only part of the area of the development project has obtained construction works commencement permit.

Phase 2

Dragon Palace Phase 2 occupies an aggregate site area of approximately 106,192.39 sq.m. and has a planned GFA of approximately 89,081.00 sq.m.. Dragon Palace Phase 2 consists of nine multi-storey high-rise apartment buildings, 31 villas and certain commercial properties.

As at 30 September 2018, the total cost of development (including land acquisition costs, construction costs, capitalised borrowing costs and indirect cost) incurred for Dragon Palace Phase 2 was expected to be approximately RMB349.08 million. As at 30 September 2018, the total cost incurred in connection with Dragon Palace Phase 2 was approximately RMB145.69 million. The above cost, being attributable by our approximately 30% interest in Henan Julong as at 30 September 2018, is expected to be financed by our Group's internal resources and bank loans.

The following table sets out particulars of Dragon Palace Phase 2 as at 30 September 2018:

Project	Site area	Estimated commencement date	Estimated completion date	Estimated pre-sale date	Planned GFA	Cost of development incurred[(1)]	Expected future cost of development[(1)]	Market value in existing state attributable to our Group as at 30 September 2018[(2)]
	(sq.m.)				(sq.m.)	(RMB million)	(RMB million)	(RMB million)
Dragon Palace (聚瓏灣) Phase 2	106,192.39	December 2018	November 2020	September 2019	89,081.00	145.69	203.39	25.80

Notes:

1. Calculated based on our attributable interest in Henan Julong, being approximately 30%, as at 30 September 2018.

2. It does not include attributable value of non-saleable amenities. Calculated based on our attributable interest in Henan Julong, being approximately 30%, as at 30 September 2018. For further details, please refer to Appendix III to this prospectus.

Residential land located at Lianhe Village (聯和村住宅用地)

Apart from the abovementioned development projects, we also own a piece of residential land located at Lianhe Village, Shuikou Town, Huicheng district, Huizhou, Guangdong Province, the PRC (惠城區水口鎮聯和村) and occupies an aggregate site area of approximately 33,125.80 sq.m.. This parcel of land is owned by Huizhou China Field. Huizhou China Field has obtained the land use rights certificate for the residential land located at Lianhe Village with a lot of State-owned land for a term expiring on 27 August 2072 for residential use. As at the Latest Practicable Date, we did not have any development plan for such parcel of residential land, as the local government has changed the land usage of the relevant land zoning area from residential use to commercial use in July 2011. We intend to communicate with the local government and we are under the process of working out a development plan that could maximise our return and at the same time is in line with the land usage requirement imposed by the local government. As Huizhou China Field had not commenced development for such piece of land for more than two years from the commencement date for the development as prescribed in the land grant contract, the right to use such land may be forfeited without any compensation, except when delays are caused by force majeure, acts of government, or the necessary preparatory work for commencing the development. While according to the Measures on Disposal of Idle Land (閒置土地處置辦法), when the development of a piece of land has not commenced one year beyond the commencement date for the development as prescribed in the land grant contract, such piece of land would be classified as an idle land as advised by our PRC Legal Advisers. As such, the carrying value of this land parcel attributed by our Group of approximately RMB1,200,000 was fully written off by the end of 2011. As at the Latest Practicable Date, to the best of our Directors' knowledge and belief, we have not been subject to any investigations or penalty actions in relation to such land parcel. Our Group also obtained a written confirmation from the local department of the MLR, which has jurisdiction over Huizhou China Field, confirming that Huizhou China Field has not been imposed with any penalty relating to the idle land and any violation of the PRC laws and regulations relating to land use during the three years ended 31 December 2017 and up to 1 June 2018.

Business model and operation of our Group

We are a property developer primarily focusing on development of properties that are dominantly for residential use in Huizhou in Guangdong Province and locations in the PRC which we consider with potential growth, such as Tianjin and Zhumadian in Henan Province. We sell our developed properties, and lease out certain developed and unsold developed properties to obtain rental income, such as kindergarten and retail stores. With our strong foothold in Huizhou in Guangdong Province, our expertise in the PRC real estate market, including our understanding of local property market conditions and our sales and marketing capabilities on property developments accumulated over the years, we have also selectively acquired properties with potential investment returns which were not developed by us, and we either lease out such properties or renovate and refurnish such properties for sale.

Third-party business partners of our Group

As disclosed in the paragraph headed "Our strategies" above in this section, it is our strategies to (i) focus on developing the existing land bank and acquiring development projects in regions where our existing land bank situated and locations in the PRC with potential growth; (ii) expand our operation in other parts of the PRC in which we currently do not have a presence with our diversified land acquisition strategies; and (iii) expand the diversity of our properties to be developed, including the development of residential properties, integrated residential properties and commercial properties. To facilitate our business expansion, diversify our business risks and maintain flexibility, we have been collaborating with third-party business partners in different ways by holding our development projects through wholly-owned subsidiaries, non-wholly-owned subsidiaries, joint venture and associate, depending on the relevant circumstances of the development projects.

We assess the level of the involvement of third-party business partners on a case by case basis. Our level of participation in the day-to-day operation and equity holdings in the project companies depends on various factors, including (i) the respective investment requirements; (ii) the availability of land; (iii) the available resources of our Group and our third-party business partners at the relevant time.

We established Huizhou Million Cities, Tianjin Jianji and Huizhou Yuefu, being project companies that are our non-wholly-owned subsidiaries, with third-party business partners. In respect of such project companies, we are the controlling party whereby we are responsible for (i) providing capital; (ii) monitoring project finance and cashflow; and (iii) managing the daily operation of the construction of the development project, while the third-party business partners are responsible for providing capital only. Save as Huizhou Yuefu, the profit or loss of these project companies will be shared amongst our Group and the relevant third-party business partners in accordance with the respective equity holding of the relevant project company. For Huizhou Yuefu, pursuant to the capital injection agreement dated 25 June 2018 and entered into between among Mr. Lin Guoxian ("**Mr. Lin**"), Ms. Wang Xiaoxia ("**Ms. Wang**"), Million Cities Corporate Management and Huizhou Yuefu, it was agreed that the retained profit of Huizhou Yuefu as at 31 May 2018 and the estimated unrealised gain arising from the unsold inventories as at 31 May 2018, is to be distributed according to the equity holding before the capital injection by Million Cities Corporate Management (i.e. 52% held by Mr. Lin and 48% held by Ms. Wang).

We established Huizhou Well Kong, our joint venture, with a third-party business partner, Spring Estate Holdings Limited, in December 2016 for the development of Dragon Terrace and Million Cities Tonghu Centre. At that relevant time, Spring Estate Holdings Limited was wholly-owned by Logan Property Holdings Company Limited ("**Logan**"), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3380). Logan is an integrated property developer focusing on property development in the Greater Bay Area, and was awarded 2016 Best 50 China Real Estate Listed Companies with Strongest Comprehensive Strengths. Given (i) the extensive experience in residential property development; and (ii) strong reputation of Logan, our Directors are of the view that cooperating with Logan in the development of Dragon Terrace and Million Cities

Tonghu Centre would (a) lower the business risk of our Group; (b) lower the capital requirements; and (c) create operational synergies. In respect of Huizhou Well Kong, Spring Estate Holdings Limited is the controlling party whereby Spring Estate Holdings Limited is responsible for (i) providing capital; and (ii) managing the daily operation of the construction of the relevant development projects, i.e. Million Cities Tonghu Centre and Dragon Terrace, while we are responsible for (a) providing capital; and (b) monitoring project finance and cashflow of Huizhou Well Kong. The profit or loss of Huizhou Well Kong will be shared amongst our Group and Spring Estate Holdings Limited in accordance with the respective equity holding of Huizhou Well Kong.

Moreover, our Group established Henan Julong, our associate, with two third-party business partners, Warren Pacific Limited and Man Wah (Zhumadian) Limited, in August 2017 for the development of Dragon Palace Phases 1 and 2. Man Wah (Zhumadian) Limited is wholly-owned by Man Wah Investments Limited, which is in turn the controlling shareholder of Man Wah Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1999)). Man Wah Investments Limited was owned by Mr. Wong Man Li and Ms. Hui Wai Hing (the spouse of Mr. Wong Man Li) as to 80% and 20%, respectively. We started cooperation with the shareholders of Man Wah (Zhumadian) Limited in 2010 for our property development projects in Tianjin, who, to the best of our Directors' knowledge, information and belief, have understanding and business connections in the PRC property market. In addition, to the best of our Directors' knowledge, Mr. Wang Ching Miao Wilson (an independent third party) is a shareholder of Warren Pacific Limited, who possesses local business networks in Henan Province and is familiar with the business environment in Henan Province. Since our Group did not have presence in Henan Province back then, our Directors are of the view that cooperating with such third-party business partners who had (i) knowledge and business connections in the PRC property market; and (ii) business networks in Henan market, would enable us to (a) shorten the time in understanding the local market of Henan Province; (b) leverage on our project development and management experience, while third-party business partners contribute their local expertise and allow us to obtain land at a lower cost; and (c) lower the capital investment requirements of our Group's development project. In respect of Henan Julong, Warren Pacific Limited is the controlling party whereby Warren Pacific Limited, together with another third-party business partner (i.e Man Wah (Zhumadian) Limited) are responsible for (i) providing capital; and (ii) managing the daily operation of the construction of the relevant development project, i.e. Dragon Palace, while we are responsible for providing capital only. The profit or loss of Henan Julong will be shared amongst our Group, Warren Pacific Limited and Man Wah (Zhumadian) Limited in accordance with the respective equity holding of Huizhou Well Kong.

Details of the abovementioned project companies held by our joint venture and associate are set out below:

Project company	Development project	Third-party business partners involved	Board composition	Roles and responsibilities of our Group	Roles and responsibilities of the business partner(s)	Parties and personnel responsible for operations and management
1. Huizhou Well Kong (our joint venture)	— Dragon Terrace — Million Cities Tonghu Centre	— Spring Estate Holdings Limited	— Two representatives of our Group, including Mr. George Lau — Two representatives of the third-party business partner	— Providing capital to Huizhou Well Kong — Monitoring project finance and cashflow	— Providing capital to Huizhou Well Kong — Managing the daily operation of the construction of the development project	The project finance director and the project cost manager of Huizhou Well Kong were nominated by our Group. Other personnel responsible for the daily operation were nominated by the third-party business partner.
2. Henan Julong (our associate)	— Dragon Palace	— Warren Pacific Limited — Man Wah (Zhumadian) Limited	— A representative of our Group, namely Mr. George Lau — A representative of Man Wah (Zhumadian) Limited, namely Mr. Wong Man Li — A representative of Warren Pacific Limited, namely Mr. Wang Ching Miao, Wilson	Providing capital to Henan Julong	— Providing capital to Henan Julong — Managing the daily operation of the construction of the development project	The project finance manager of Henan Julong was nominated by our Group. Other personnel responsible for the daily operation were nominated by the third-party business partners.

In terms of our business performance, the involvement of third-party business partners allows us to (i) leverage on their local network so as to obtain land at a lower cost and expand our geographical presence in a more effective manner; (ii) leverage on their market intelligence on local markets so as to develop properties that suits local demands and preferences; and (iii) obtain knowledge on local government policies and regulations.

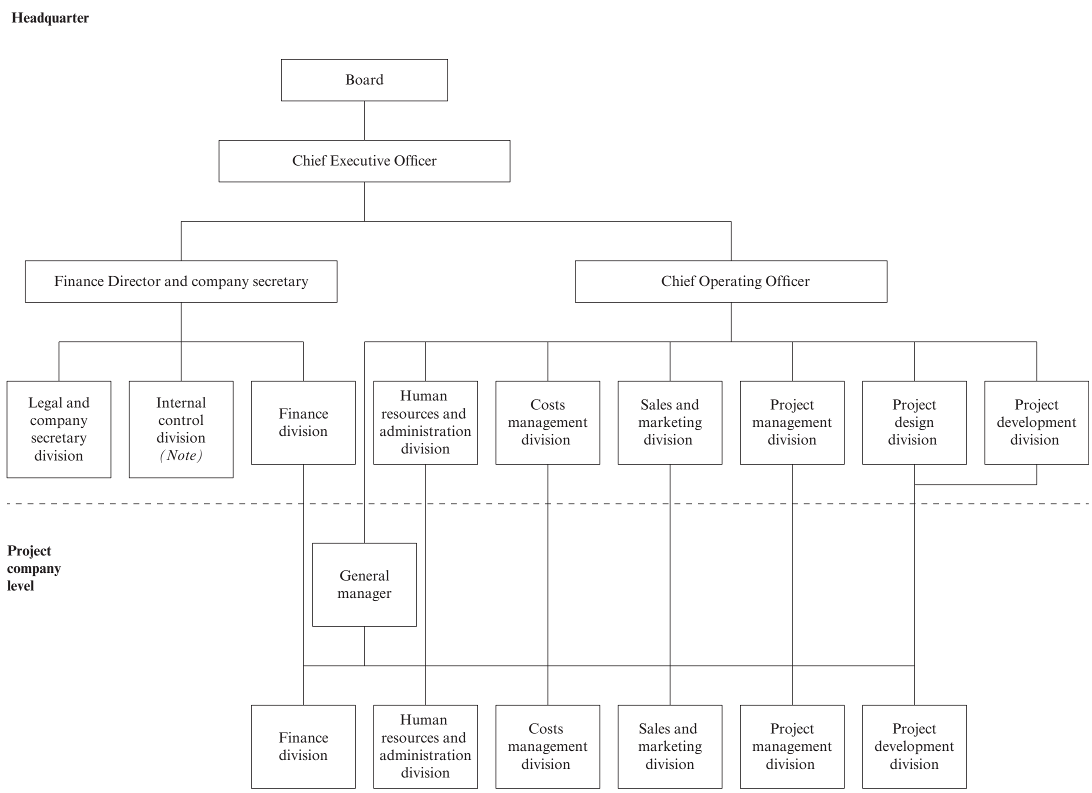
In terms of our financial position, our third-party business partners would contribute capital for our property development projects which, in return, (i) lessened our cash flow pressure on land bidding; (ii) lowered our share of the capital investment requirements of the property development projects; and (iii) allowed us to take part in more property development projects and achieve risk diversification.

Management and organisational structure of our Group

We have adopted a two-tiered management and project oriented organisational structure for our Group, with our headquarter as the management tier and regional project companies as the front-line tier. Each tier of management is vested with separate duties and responsibilities. We believe that this organisational structure offers flexibility and maximises resources for our operations while at the same time minimises business risks by taking into account the nature of the property development group.

Our management supervises and manages all major stages of each of our development projects which are organised into two-tiers with nine divisions: (i) first-tier consisting of project development division, project design division, project management division, sales and marketing division, costs management division, human resources and administration division, finance division, internal control division and legal and company secretary division; and (ii) second-tier consisting of project development division, project management division, sales and marketing division, costs management division, human resources and administration division and finance division.

The following diagram shows the two-tier managerial structure of our Group:



Note: To be set up after Listing

The responsibilities of each of the divisions are set out below:

- Project development division:

  — Headquarter — managing our Group's project development strategies by managing information and acquisition regarding land parcels, conducting preliminary market study and conducting development projects investment planning and development projects feasibility study, and liaising with other divisions of our Group at the preliminary stage of each development project;

  — Project company level — obtaining relevant licences and permits for the specified development project following acquisition of land parcels, conducting specified development project planning, and conducting market study in relation to local government policies;

- Project design division: developing standard design guidelines, conducting feasibility study on design concepts of development projects and suggesting design solutions, researching on product designs and managing intellectual property rights, organising development project planning and design works including construction drawings, phase designs, managing landscape, show rooms designs and decorations, engaging and coordinating with design suppliers;

- Project management division:

  — Headquarter — advising on construction procedures of development projects based on feasibility study, conducting assessments on design concepts, planning and choice of raw materials, advising on development project planning, managing and implementing construction schedules, establishing our Group's engineering and technology standards and specifications, managing know-how and carrying out training for engineers;

  — Project company level — participating in preliminary development project proposals, feasibility study, project planning and initial design reviewing process, formulating project management and implementation plans, conducting construction preparation works, monitoring the implementation of construction schedules, solving and reporting any technical issues raised at construction sites, managing and supervising product and raw materials quality, managing and coordinating on site construction works and executing budget control, conducting safety management on site, and providing after-sales maintenance services;

- Sales and marketing division:

  — Headquarter — conducting market research and planning for product positioning , reviewing development project design concepts and formulating sales and marketing methodology, implementing sales and marketing plan and strategies, managing marketing and advertising of development projects, media and brand name, managing customer relationship, and choosing property management company;

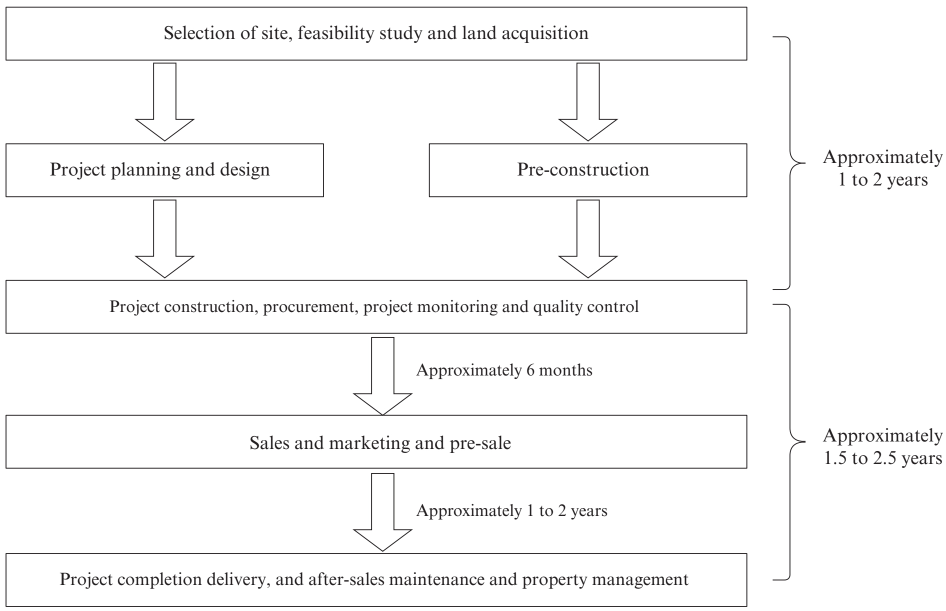
  — Project company level — conducting market research and implementing sales and marketing plan and strategies, coordinating with marketing agency companies and implementing and adjusting marketing and advertising plans, managing mortgage contracts and documents, obtaining pre-sale permits and real estate title certificates, conducting assessments and inspections on show rooms, managing customers' relationships and complaints, and choosing property management company;

- Costs management division:
  - — Headquarter — formulating and establishing costs management and control system, planning and budgeting on development project costs, managing and implementing budget control, reviewing development projects costs settlements, assessing tendering documents in relation to costs, conducting costs analysis and evaluation;
  - — Project company level — implementing costs management and control system, collecting local competitors' costs information, conducting costs estimation on development projects, reviewing construction progress payments and development projects costs settlements;
- Human resources and administration division:
  - — Headquarter — formulating responsibilities and functions of each division of our Group, formulating and implementing human resources strategy, organising training for staff, managing recruitment of staff of our Group and employees' complaints, executing employment contracts, and administrating human resources of our Group, including evaluation of employees' performance, remuneration packages, managing corporate culture;
  - — Project company level — implementing human resources strategy, organising training for staff at project company, and administrating human resources of the project company, including evaluation of employees' performance, remuneration packages, managing corporate culture;
- Finance division:
  - — Headquarter — formulating and implementing our Group's financial control system including costs control, finance and borrowing plans, managing our Group's financial information system, distributing financial resources to project companies and monitoring use of funds of project companies, conducting financial statistics and analysis, and managing tax payments and assets evaluation;
  - — Project company level — managing project company's day-to-day financials, including formulating and implementing development project's budget plans and preparing financial budget report, allocating funds and liaising with local banks;
- Internal control division: formulating and implementing internal control policies of our Group; and
- Legal and company secretary division: handling legal matters, formulating contracts, managing litigations and company secretarial works of our Group.

Our Chairman and non-executive Director, Mr. TC Wong is insightful of the real estate market in the PRC and has been able to accurately grasp hold of market opportunities, leading our management in formulating right development directions, and properly carrying out property investment decisions and risk management work. Our Chief Executive Officer, Mr. George Lau, has over 18 years of experience in operational management, and he has accumulated his experiences in the PRC real estate industry since 2009. He has extensive experiences in property development business. Our executive Director and Chief Operating Officer, Mr. Danny Wong, has over 25 years of experience in sales and marketing, property investment and real estate industry. He has joined our Group as Chief Operating Officer since February 2018. Prior to joining our Group, Mr. Danny Wong held various managerial positions in certain Hong Kong property companies which were listed on the Main Board of the Stock Exchange. Our executive Director, Finance Director and company secretary of our Company, namely Ms. Lau Pui Kwan, has over 12 years of experience in corporate accounting and auditing, audit and secretarial practices. She has joined our Group since July 2017. Our executive Director, namely Mr. Lin Guoxian, has over 17 years of experience in construction and property management in real estate industry. He has overseen and managed various development projects owned by Mr. TC Wong since July 2009. With such experience in management of property development with multiple development projects, and will lead our senior management team to work closely with the head of each of the divisions in the day-to-day operation and management of our Group and our businesses. Based on the structure of our property development group and through this management system, we are able to share the resources and expertise among various development projects in areas such as design, construction, sales and customer services.

Project development and management procedures

In order to develop quality development projects, we have adopted the following six stages in our property development to ensure timely and efficient implementation of our development projects:



Selection of site, feasibility study and land acquisition

We assign significant resources to development projects' site selection as it is crucial to the success of our Group. Before purchasing a parcel of land or cooperating with third-party business partners with local expertise in development projects through business cooperation to acquire land parcels and develop development projects, our project development division at our headquarter will conduct market research on the land based on criteria which include potential demand for residential properties on such land, size and population of the city where the land is located, ways of usage of the State-owned site, government's development plans and government preferential policies, and facilities and transportation network in the neighbourhood. Staff of our project development division would also conduct site visit on the land and the surrounding area, if necessary.

After our project development division has chosen site(s), they will prepare a research report to explore the feasibility of developing a project on such site(s). Relying on the results of our research, together with our various divisions at the headquarter, such as the project development division, the project design division, the sales and marketing division and the costs management division, we will further determine the overall market positioning and the target customer groups, establish a development project design blueprint, create a budget for the development project, and calculate a target average selling price and gross profit margin for the potential development project. All of the above information would be reported to our Chief Executive Officer. Should our Chief Executive Officer find the development of such site(s) feasible, it would be reported to our Directors.

Should the project development proposal approved by our Board, either we acquire land through listings-for-sale from the PRC government in accordance with relevant PRC laws and regulations, or we acquire land through acquisitions or cooperation with third party property developers that entered into land grant contracts with local governments.

Project planning and design and pre-construction

Project planning and design

We have design capabilities with a dedicated project design division of five employees. We have established standardised designs, components and modules for our development projects to ensure efficiency and cost control, while we adapt and revise these standard designs to our development projects, taking into account local aesthetic preferences, government policies, product positioning and market conditions. We also engage and collaborate with third party designers and local design institutions for planning and designing of our development projects in order to develop residential complex or integrated residential properties that (i) are in line with the latest market trends, which are appealing to our targeted customers, who are middle to high income residents in surrounding neighbourhoods; and (ii) comply with the environmental-related regulatory standards, if necessary. For example, during the Track Record Period, we engaged a third party designer to provide greenery design for Million Cities Legend (萬城名座) Phase 2 to comply with《綠色建築評價標準》GB/T50378–2014 (Assessment standard for green building*).

Our project design philosophy is to introduce customer-oriented designs that best suit the needs of our customers. We pay significant attention to details so that the design of our development projects will bring increased convenience and value-added experience to our customers based on their lifestyle and habits. We mainly develop residential complex or integrated residential properties, which are residential properties mixed with ancillary facilities, such as retail stores, club houses and kindergartens, to meet the needs of residents in surrounding neighbourhoods. The local design institutions will collaborate with our designers and contribute knowledge of local customs and traditions to our design, in order to fit our property designs into local cultures and environment, and at the same time cater for our customers' desire to improve quality of life. For instance, we will incorporate different designs on the roof and balcony of properties located in areas that have cold weather in the PRC. For example, our development properties in Zhumadian in Henan Province and Tianjin have special designs catering for snowing seasons as compared to that of our development properties in Huizhou in Guangdong Province. We believe our attention to such planning can showcases our focus on our customers and that we strive to provide them with the best experience as to our development projects, which we believe also enhance the value of our properties.

Pre-construction

Government permits

Once we have obtained the rights to develop a parcel of land, we will apply for necessary approvals, permits and licences prior to construction. Details of the major certificates and permits required to commence construction are set out below:

- land use rights certificate — a certification of the right of a party to use a parcel of land;
- construction land planning permit — a permit authorising a developer to begin surveying, planning and designing of a parcel of land, in order to allow a developer to obtain land use rights certificate;
- construction works planning permit — a certificate indicating government approval for a developer's overall planning and design of the development project and allowing a developer to apply for a construction works commencement permit; and
- construction works commencement permit — a permit required for commencement of construction works.

Financing of property development

During the Track Record Period, the major sources of financing for our development projects are primarily from funds obtained from (i) bank borrowings; (ii) capital contributions from our Shareholders; (iii) proceeds from sale and pre-sale of our properties; and (iv) loans from our related parties, details of which are set out in the sub-paragraph headed "Cost of sales" under the paragraph headed "Consolidated statements of profit or loss" under the section headed "Financial information" in this prospectus. Our means of project financing are subjected to restrictions imposed by the relevant PRC laws and regulations and monetary policies at the material time.

Pursuant to the Guidelines for Risk Management on Property Loans of Commercial Banks promulgated by the China Banking Regulatory Commission in August 2004 and the "Notice of the State Council on Adjusting the Capital Ratios for Fixed Asset Investment Projects" (國務院關於調整固定資產投資項目資本金比例的通知) (Guo Fa [2009] No.27) promulgated and enforced by the State Council on 25 May 2009, property developers which intend to obtain loans from commercial banks must have an internal capital ratio (calculated by dividing the internally generated funds available by the total project capital required for a development project) of at least 20% for government-supported housing projects and ordinary commercial house projects and 30% for other development projects. The financial institution should act in accordance with the aforesaid so as to decide whether to grant us loan or not.

Project construction, procurement, project monitoring and quality control

We in general outsource our construction works of our development projects to qualified construction contractors, and monitor quality and control cost and construction progress during construction.

Project construction and procurement

We usually engage a general contractor for the major construction of a development project, including main structure construction, equipment installation and engineering work. We also involve specialised contractors in specific areas, such as foundation works. We believe that outsourcing our construction work could allow us to leverage the expertise of the construction contractors and minimise certain risks, such as risks from fluctuations in the cost of certain raw materials. As there is usually no price adjustment mechanism available as to the lump sum contracting fee we pay to our construction contractors, our construction contractors are responsible for purchasing substantially all construction materials, such as steel and cement. Such allows us to focus on our principal business of property development.

We invite at least three construction contractors with the capacity to undertake construction projects as well as good reputation and credibility in terms of property construction for tendering, and perform independent assessments on them by considering various factors including, among others, (i) qualifications; (ii) resources, including the availability of manpower; (iii) experience and technical expertise in similar construction projects; (iv) reputation and quality of work; and (v) proposed commercial terms and in particular the fee quotation. The tender process is managed by our costs management division at our headquarters as well as relevant project company level. Our Directors believe that there is sufficient internal mechanism in place to ensure that the tendering process is conducted in a fair and open manner. We are responsible for the tender process, preparing invitation for tender documents, and reviewing the qualification of the bidding construction contractors and the tendering documents submitted by them.

We engaged independent third party construction contractors to carry out certain part of the construction work for our development projects. The scope of construction work carried out by a construction contractor includes design, pile setting, foundation digging, construction, equipment installation, interior decoration, electrical and mechanical engineering and pipeline engineering. General contractors and specialised contractors will enter into a construction agreement based on the standard template provided by the relevant government authority. Pursuant to such agreements, the general contractors and specialised contractors are obliged to undertake the entire construction work in strict compliance with laws and regulations as well as our design specifications and time schedules. The typical agreements with our construction contractors generally include terms in relation to (i) types of construction work to be carried out; (ii) construction period; (iii) quality standards and inspection; (iv) procurement of raw materials; (v) insurance; and (vi) payment of contract price. In general, we pay the construction contractors (i) refundable deposits and prepayments prior to the commencement of construction of development projects; and (ii) about 70% to 80% of the full contract price during the construction process by stage payments, according to the stages of construction process. We usually pay approximately 95% to 97% of the total contract price upon completion of the development project and settlement, while holding back the remaining 3% to 5% as retention fee for quality warranties purpose.

Our construction contracts generally contain warranties relating to quality of work and completion time. The construction contractors are generally required to provide us with a warranty period typically ranging from one to five years (warranty period for foundation and structural construction works is in accordance with the relevant design documents). Construction contractors are required to comply with our specified standards and the relevant PRC laws and regulations. If the construction contractors fail to complete the construction works on a timely basis pursuant to the terms of the construction contracts, they may be liable to us for penalties or other damages. The unused portion of the retention fee will be returned to the construction contractors after the warranty period has expired. During the Track Record Period, we have not encountered any material difficulties with construction contractors or any incident that the construction contractors failed to provide satisfactory services to a material extent.

Project monitoring and quality control

We establish project schedule for each development project which specifies the timeframe each check point needs to be achieved during the project development process. Such project schedule enables us to ensure our timely performance of each task. The project schedule also enables us to monitor the pace of each project development in a timely manner and to quickly identify any potential delays to the final schedule. We have also installed surveillance cameras in some of our development projects' construction sites to enable us to monitor the progress of our development projects. Our project engineering staff at project company level would conduct a meeting with relevant construction contractors on-site to discuss project progress once a week and our project management division of our headquarter would conduct a meeting with our project engineering staff at project company level once a month to ensure the relevant development project is on schedule. We usually conduct such meeting with relevant parties which are responsible for quality control at the same time.

Affordable luxury residential properties are critical to our reputation and business success. Our project management division, comprising qualified engineers, including civil engineers, hydro and electricity engineers, garden engineers and design engineers, are responsible for overseeing and monitoring quality control procedures at every stage of the property development and construction process, to ensure the constructions are safe, complete and comply with designed standards.

We have established procedures to ensure that the quality of our properties is in compliance with our standards. Our construction contractors are subject to our quality control procedures in various aspects, including compliance with our contract terms, design and quality control. Our construction contractors appoint on-site quality control engineers to inspect the quality of different aspects, such as managing the quality of on-site workers, examining the quality of samples, materials, supplies and machinery and conducting on-site inspection. To further ensure quality and monitor the progress and workmanship of construction, an independent supervisory company is appointed to oversee the quality control issues of each development project. The independent supervisory company is responsible for preparing supervisory plan and supervising the execution of the plan. The independent supervisory companies would also conduct progress checks and safety control checks on construction and workmanship of our development projects. Staff of our project management division at the project company level would work closely with construction contractors and the independent supervisory company on-site every day to monitor work performed. Our engineers at headquarter level would also perform on-site inspections on a monthly basis and supervise in every major construction procedures such as structural, waterproof, decoration and landscape constructions, and completion inspection. Before delivering a property to a purchaser, our project management division, together with our senior management would conduct inspection on the completed property to ensure its quality attains specified standards.

Our Directors believe that stringent quality control of our projects forms an important part of the competitiveness of our Group.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material quality problems in respect of our property development business.

Sales and marketing

Our sales and marketing division was established at both headquarter and project company level. Our sales and marketing division at our headquarter is generally involved in the preliminary work of our development projects, usually prior to land acquisitions, and at key steps (for example market research, market positioning and product positioning etc.). It is primarily responsible for each project's promotion plan, conducting research on relevant property markets, reviewing details of competitors' properties, prospective customer information and spending records, and conducting research on the requirements of potential purchasers in terms of price, property design, amenity design, transportation and sites locations. It also instructs sales and marketing division of our project companies to formulate our marketing strategies, such as selecting targeted purchasers and targeted markets, branding of projects, planning and organising on-site sale and pre-sale procedures, setting up customers contact channels and implementing sales strategies plans. The sales and marketing division at project company level is responsible for the formulation and execution of detailed development project marketing plans. To ensure quality and efficiency, the sales and marketing division at project company level, instead of the headquarter, manages the day-to-day sales and marketing of individual development project.

We rely on the efforts of our own sales and marketing division for the sale of most of our properties. We believe by establishing and strengthening our own sales and marketing division, and leveraging the supports of our other division, we are better positioned to gain deeper understanding of the market in order to improve our marketing and pricing strategies, and be more able to identify industry trends and customer demands so as to optimise our products. Our sales and marketing personnel are incentivised by performance-based compensation packages. We believe we provide relative competitive incentives to our sales and marketing staff, which are based on the performance evaluation of the individual sales and marketing personnel and their marketing teams.

Depending on the market conditions and our overall sales condition of the particular development project to facilitate our sales and marketing efforts, we occasionally outsource marketing and sales work to professional property sales agencies, who are independent third parties, to provide promotion and referral services to us in the sale of our properties. These sales agencies promote our development projects through their own marketing networks and bring in potential customers in their database to our project sites. Our sales and marketing division oversees and monitors the work performed by the sales agencies. Our sales and marketing contracts with our sales agents typically include terms in relation to (i) details of the subject property to be sold; (ii) the term of agency; and (iii) payment of sales commission. In consideration of their services, we typically pay a commission depending on the total sales amount they make. Commission payable by our Group to sales agent is based on a percentage to the purchase price of the property as set out in the pre-sale agreement or sale and purchase agreement and payable in accordance with the terms agreed between our Group and the sales agent. For the three years ended 31 December 2017 and the six months ended 30 June 2018, we incurred real estate sales agent commissions of approximately RMB0.2 million, RMB5.0 million, RMB16.9 million and RMB0.8 million, respectively. Together with our agencies, we adopt various measures to reach potential purchasers, including advertising and showcasing our development projects.

We believe it is the most effective marketing strategy to showcase our development projects by arranging potential purchasers to experience and visit our development projects with a view to creating a lasting impression on our quality. Accordingly, it is our strategy to prioritise the development of our development projects' sales exhibition zone, which is usually developed with sales centre (銷售中心) and show flats (樣板房展示區) that are decorated residential properties of various room types. We also organise seminars and promotional activities on our development projects to attract purchasers and facilitate the sales of our developing properties. From time to time, we engage service providers, who are independent third parties, to promote our development projects online.

Our advertising and marketing expenses amounted to approximately RMB8.4 million, RMB6.3 million, RMB2.2 million and RMB0.9 million during the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively.

Pre-sale

We generally commence pre-sale of our properties prior to completion of construction in accordance with local applicable laws. Pursuant to the Urban Real Estate Law (中華人民共和國城市房地產管理法) and the Measures for Administration of Pre-sales of Commodity Properties (城市商品房預售管理辦法) promulgated by the Ministry of Construction on 15 November 1994 and as amended on 15 August 2001 and 20 July 2004, respectively, property developers must satisfy specific conditions before pre-selling their uncompleted properties under construction. Before we can obtain the pre-sale permits, we must fulfil, amongst others, (i) the land grant premium must have been paid in full; (ii) the land use rights certificate(s), construction land planning permit(s), the construction works planning permit(s) and the construction works commencement permit(s) must have been obtained; (iii) based on the number of pre-sale of property, at least 25% of the total amount invested in a development project must have been contributed to such development projects; (iv) the progress and the expected completion and delivery date of the properties must be certain; (v) pre-sale registration to be effected at the relevant real estate management bureaus of PRC government above the County level; and (vi) the progress of the construction should meet the local government authorities' requirements for pre-sale.

We launch pre-sale upon receipt of pre-sale permits in accordance with the PRC laws and regulations as mentioned above. We have not been subject to punishment by competent authority in relation to any pre-sale and sale of our development projects during the Track Record Period.

In addition, property developers are also required to use a standard pre-sale agreement prescribed by the relevant local government authorities. In accordance with the requirements of Measures for Administration of Pre-sale of Commodity Properties (城市商品房預售管理辦法), we register such pre-sale with relevant local government authorities.

Under the Measures for Administration of Pre-sales of Commodity Properties (城市商品房預售管理辦法) and the Urban Real Estate Law, the pre-sale proceeds of commodity buildings should only be used to fund the property development costs of the relevant development projects. Further, in some cities we operate, such as Huizhou in Guangdong Province, the use of pre-sales proceeds is specifically restricted, where the pre-sale proceeds of our properties must be deposited in escrow accounts and can only be used to purchase the necessary construction materials and equipment, make construction stage payments, pay statutory taxes for the relevant development projects subject to prior consent from the relevant local government authorities.

Save as disclosed in the section headed "Regulatory overview" in this prospectus regarding the purchase restrictions imposed in Tianjin, sale of properties in Huizhou in Guangdong Province and Zhumadian in Henan Province were not subject to any purchase restriction policies imposed by the relevant PRC authorities as at the Latest Practicable Date.

Pricing policies

When we determine the price of our property, we communicate with relevant local government authorities with the aim to comply with the regulations in relation to the pricing of housing commodities. When residential properties are marketed by our Group while the property is still under construction, our Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. We will also consider several factors such as location of the development project, competitive landscape of the property and general market environment, and liaise with the local government authorities in order to obtain approval of a price that could maximise our Group's profit, and at the same time complies with the local regulations.

Payment arrangements

Our customers, including those purchasing pre-sale properties, can choose to pay the purchase price by lump sum payment or mortgage loans with banks. In order to attract customers in acquiring our developed properties, when we market our pre-sale properties, we may offer a discount compared to the listed sales price, provided our customers agree to pay the balance of the consideration early. Our customers are generally required to pay non-refundable deposits to us before signing pre-sale agreements or sale and purchase agreements. The deposit will be forfeited if the customer decides not to sign the sale and purchase agreement or pre-sale agreement. The payment terms of sale and pre-sale of properties are substantially identical. Most of our customers are individual purchasers. At the time of signing of the pre-sale agreement or sale and purchase agreement, as the case may be, the purchasers usually pay to us a certain percentage of the purchase price as down payment. Such percentage is usually not less than 30% and if the purchasers choose lump sum payment, the remaining balance of the purchase price is to be paid no later than the date specified in the sale and purchase agreements. The terms of the mortgage loans, including the percentage of purchase price as down payment, will vary depending on the bank and the applicable local PRC laws and regulations. In line with industry practice, we rely on the credit checks conducted by the mortgage banks on the purchasers and do not conduct independent credit checks on the purchasers. Such purchasers are required to pay to us the remaining balance of the purchase price that is not covered by the mortgage loans prior to the mortgage loans being disbursed by mortgagee banks. Apart from payment terms, our pre-sale agreements or sale and purchase agreements would normally set out, among others, (i) details of the relevant property being sold to our customer; (ii) price of the relevant property; and (iii) details of delivery of the relevant property.

Property developers in the PRC would generally facilitate the purchasers of residential properties to obtain bank financing with various domestic banks. Property developers are usually required by the banks to guarantee the obligations of the purchasers to repay any outstanding mortgage loans. These guarantees are generally released upon the issuance of the relevant real estate title certificate and the registration of the mortgage in favour of the mortgage bank. We have provided guarantees to the mortgagee banks in relation to each of our development projects. To promote the sales of our properties, we enter into agreements with a number of banks to provide our customers an option to purchase our properties by mortgages.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, our outstanding guarantees of the purchaser mortgage loans of our customers amounted to approximately RMB138.5 million, RMB551.3 million, RMB376.3 million and RMB107.7 million, respectively. During the Track Record Period, we had encountered four incidents of default by our purchasers for whom we had guaranteed their outstanding mortgage loans. The total outstanding mortgage loans of such four incidents of default by our purchasers amounted to approximately RMB267,600, RMB286,300, RMB360,400 and RMB361,300, representing approximately 0.19%, 0.05%, 0.10% and 0.34% of our outstanding guarantees of the purchaser mortgage loans of our customers as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. We were liable to settle the outstanding loans to the relevant bank in respect of all of the abovementioned default incidents. Despite so, since such settlement amount was insignificant, we are of the view that such default incidents have not had a material adverse effect on our financial condition or results of operation. Among our guaranteed customers' outstanding loans of approximately RMB361,300 as at 30 June 2018, nil was subsequently recovered by us as at the Latest Practicable Date.

Project completion and delivery, and after-sales maintenance and property management

Project completion and delivery

We strive to deliver completed properties to our customers within the time frame prescribed in the respective pre-sale agreements or sale and purchase agreements. Before delivery of properties to our customers, we have to obtain relevant completion certificate or other certificates as required under the respective sale and purchase agreements as well as the local laws and regulations. Please refer to the paragraph headed "Real estate transactions" under the section headed "Regulatory overview" in this prospectus for further details. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any delay in completion of our development projects or delivery of relevant title documents after sale. After the development project passed completion and acceptance of inspection of properties, we deliver the completed property in accordance with the terms of the pre-sale agreement or sale and purchase agreement entered into with the customer.

We will notify our customers in writing before the delivery date stipulated in the sale and purchase agreements to inform them the delivery date and other relevant delivery procedures, and the customers will sign and return acknowledge receipts to us when the properties are delivered to them.

We will assist our customers in obtaining their individual real estate title certificates by providing all requisite information to the local authorities for registration. The local authorities will then grant an individual real estate title certificate or a real estate title certificate for each property unit afterwards.

According to our accounting policies, our revenue arising from the sale of properties is recognised either (i) upon the point in time when our customers has the ability to direct the use of the properties and obtain substantially all of the benefits of such properties, being the time of delivery of properties; or (ii) as performance obligations are satisfied over time in accordance with the progress when the properties sold have no alternative use to our Group due to contractual arrangements and we have an enforceable right to payment from the customers for the performance complete to date. The recognition of our revenue from sale of properties is not subject to the grant of the real estate title certificates or real estate title certificates to our customers.

After-sales maintenance

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and when required, upon signing of the pre-sale agreement or sale and purchase agreement with the purchaser, provide our customers with guarantees as security for mortgage loans. Such guarantees will typically be released upon the issuance of the relevant real estate title certificate and the registration of the mortgage. As a guarantor, if the purchaser defaults in payment, we are obliged to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan.

Our sales and marketing division and project management division are responsible for the provision of after-sales maintenance service to property owners and handling customers' complaint after the delivery of the relevant properties to property owners. Our sales and marketing division, with the assistance of property management companies, is responsible for recording any defects and complaints regarding the properties we developed, and it will pass the report to our project development division to follow up. Our project management division is responsible for arranging our construction contractors to repair any defects on the properties, and supervising the repair and ongoing maintenance of the properties we developed. The warranty period that we provide to our purchasers are back-to-back to the same provided by our construction contractors. For further details regarding the warranties we provide to property owners, please refer to the paragraph headed "Warranty and product returns" in this section below. We received complaints from property owners regarding defects in properties, such as water leakage of internal wall, after delivery of the relevant properties to property owners during the Track Record Period. The complaints were primarily due to minor construction and installation defects, none of which involved compensation payments made by us to the customers.

Property management

The property management companies we engage are responsible for other after-sale services for property owners and residents of our development projects.

During the Track Record Period, we engage third party property management companies, which are independent third parties, as well as Huizhou Kangcheng, which (i) is a connected person of our Company during the three years ended 31 December 2017; and (ii) has ceased to be a connected person of our Company as Mr. Liu Weito disposed of his equity interest in Huizhou Kangcheng to an independent third party during the six months ended 30 June 2018, to manage our development projects. Property management companies provide after-sales services to purchasers of our properties including maintenance, security services, gardening and landscaping and other related services. We select such property management companies through seeking quotations from property management companies and selection process by the management of our Group prior to delivery of properties to purchasers in order to ensure quality property management services. Our selection criteria of property management companies is based on certain standards and factors including professional staff, level of fees, track record of community management and quality of services.

The management fee is determined with reference to the prevailing market rates, guidance rate set by the relevant government authorities, and the GFA of each property of the relevant development project. The management fee is usually settled on a monthly, quarterly or yearly basis.

Property owners are responsible for the payment of their own management fees; including public area, while we are responsible for the payment of management fees for those units not yet sold or delivered. For the three years ended 31 December 2017 and the six months ended 30 June 2018, the management fees we paid to the abovementioned independent property management companies were approximately RMB0.1 million, RMB0.2 million, RMB0.1 million and RMB35,000, respectively, for property management services provided to our development projects, while the management fees we paid to the connected property management company were approximately RMB0.8 million, RMB1.9 million, RMB1.6 million and RMB1.3 million respectively. For further details regarding our historical transactions with our related property management company, please refer to the paragraph headed "Related party transactions" under the section headed "Financial information" in this prospectus.

PROPERTIES ACQUIRED AND NOT DEVELOPED BY US

With our keen market insight, investment vision on the PRC real estate market and expertise in the PRC real estate market, including our understanding of local property market conditions and our sales and marketing capabilities on property developments accumulated over the years, we strategically select and acquire properties which were not developed by us from time to time. Through our network, business acumen and capabilities, we were able to identify properties that were located in areas which we believe has high growth potential and can generate considerable investment returns. In the past, we acquired properties located in areas that were then not fully developed, such as Shenzhen and Huizhou in Guangdong Province, at competitive costs. We either lease out such properties or renovate and refurnish such properties for future sale.

AWARDS AND CERTIFICATIONS

We have been granted a number of awards, recognitions and certifications including the following:

Year of award	Award title	Presenter(s)
2007	金牌規劃設計樓盤 (Gold Planning and Design Property*)	南方報業傳媒集團 (Nanfang Media Group*)
2007	中國主流地產 — 金鼎獎 (China Real Estate Golden Tripod Award*)	中國主流地產品牌年鑒委員會 (China Mainstream Real Estate Brand Annual Review Committee*)
2007	中國主流地產 — 金築獎 (China Real Estate Golden Building Award*)	中國主流地產品牌年鑒委員會 (China Mainstream Real Estate Brand Annual Review Committee*)
2007	2008消費者最期待樓盤 (2008 Consumers' Most Anticipated Property*)	南方報業傳媒集團 (Nanfang Media Group*)
2015	誠信經營單位(2015年度) (Huiyang District Trustworth Operating Entity (2015)*)	惠州市惠陽區消費者委員會 (Huizhou Huiyang Consumer Council*)

Year of award	Award title	Presenter(s)
2015	2015年度最佳戶型樓盤 (2015 The Best Apartment Type*)	西子湖畔 (West Lake*)
2015	2015年度最受歡迎樓盤 (2015 The Most Popular Property Development*)	新浪樂居 (Sina Leju*)
2015	2015年度搜狐焦點樓盤評選 — 七星會所樓盤 (2015 Souhu Property Selection — Seven Stars Clubhouse Property Development*)	搜狐焦點 (Souhu Focus*)
2015	最具影響力樓盤 (The Most Influential Property Development*)	58安居客2015中國房產風雲榜組委會 (58 Anjuke 2015 China Real Estate Billboard Committee*)
2015	最受網友關注樓盤 (The Most Popular Property Development Online*)	58同城安居客 (58 Tongcheng Anjuke*)
2015	最佳園林設計樓盤 (Best Landscape Design Property Development*)	搜狐焦點 (Souhu Focus*)
2015	最具購買價值樓盤 (Most Valuable Property Development*)	搜狐焦點 (Souhu Focus*)
2015	2015年度北方網熱點樓盤排行榜 — 創新樓盤大獎 (2015 Beifangwang Real Estate Billboard — Innovative Property Development Award*)	北方網地產頻道 (Beifangwang Real Estate Channel*)
2015	北方網2015年度樓盤關注排行榜評選 — 最具期待生態大盤 (Beifangwang 2015 Real Estate Billboard Selection — The Most Expected Ecological Property Development*)	北方網地產頻道 (Beifangwang Real Estate Channel*)
2016	最佳別墅典範獎 (Best Villa Model Award*)	搜狐焦點 (Souhu Focus*)
2016	南湖區域最佳別墅價值樓盤 (Nanhu District Best Value Villa Property Development*)	搜狐焦點 (Souhu Focus*)
2018	2018年暢銷精品樓盤 (Best Selling Property Development in 2018*)	樂居 (Leju*)
2018	2018年消費者喜愛樓盤 (Popular Property Development in 2018*)	樂居 (Leju*)

CUSTOMERS

We primarily target at customers with middle to high income in surrounding neighbourhoods of our development projects in the PRC. During the Track Record Period, we also derived revenue from our corporate customers in the PRC. We either leased out or sold certain commercial properties in Shenzhen and Huizhou in Guangdong Province that were acquired and not developed by us, to our corporate customers, one of them was an insurance company. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our single largest customer accounted for approximately 3.4%, 0.3%, 2.9% and 1.4%, respectively, of the total revenue of our Group. Our five largest customers, who are independent third parties, accounted for approximately 12.3%, 1.5%, 4.4% and 6.7% respectively, of the total revenue of our Group for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. None of our five largest customers during the Track Record Period were our suppliers. Payments from our major customers are settled by either lump sum payments by bank transfers or mortgage payment.

For the year ended 31 December 2017, one of our five largest customers was a company from the insurance industry. We sold a commercial property located in Huizhou in Guangdong Province which was acquired and not developed by us to such customer in 2017. Save as above, all of our five largest customers during the Track Record Period are individual purchasers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material defaults by our customers.

As part of our employees' benefit, we may offer our staff and their respective close family members to purchase properties from us at a discount ranging from 5% to 7% from their original price. For details, please refer to the paragraph headed "Employees" below and the sub-paragraphs headed "Revenue" and "Gross profit and gross profit margin" under the paragraph headed "Consolidated statements of profit or loss" under the section headed "Financial information" in this prospectus. In addition, during the Track Record Period, a close family member of Mr. Liu Weito (our connected person) purchased a property from us. Please refer to the paragraph headed "Related party transactions" under the section headed "Financial information" in this prospectus for details of the transactions. Save as disclosed above, all our top five customers are independent individuals in which none of our Directors and their respective close associates or shareholders who, to the knowledge of our Directors, holding more than 5% of our issued share capital has any interest.

SUPPLIERS

Our major suppliers mainly consist of construction companies and sales agents in the PRC. We engage construction companies as our construction contractors to carry out construction works on project base and procure necessary construction materials. We generally engage general contractors who carry out construction works. We also engage specialised contractors for works in relation to elevator installation and utilities construction from time to time. In addition, we engage sales agents to provide promotion and referral services to us in the sale of our properties. We normally do not enter into long-term contracts with our existing suppliers. As we generally do not procure raw materials for construction of our development projects, we do not have inventory policy. Construction contractors are responsible for purchasing raw materials which are included in construction costs.

For the three years ended 31 December 2017 and the six months ended 30 June 2018, the single largest supplier for our Group accounted for approximately 50.7%, 44.6%, 40.3% and 31.8% respectively, of our total cost. The five largest suppliers for our Group accounted for approximately 94.1%, 86.8%, 86.5% and 77.3% of cost for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. The length of our business relationships with our five largest suppliers during the Track Record Period ranged from approximately two to eight years. Construction fees are paid to our construction contractors based on terms of construction contracts according to the stage of construction. For details of the sensitivity analysis in relation to fluctuations in our development costs, please refer to the sub-paragraph headed "Cost of sales" under the paragraph headed "Consolidated statements of profit or loss" under the section headed "Financial information" in this prospectus. Our major suppliers generally allow us a credit period for progress payments of 28 days in general. Payments by our major suppliers are settled by bank transfer.

We review the qualification of the bidding construction contractors and the tendering documents submitted by them in order to understand (i) qualifications; (ii) resources, including the availability of manpower; (iii) experience and technical expertise in similar construction projects; (iv) reputation and quality of work. By doing this, we believe, our suppliers have the capacities to complete the construction works of our development projects on a timely basis. During the Track Record Period, we did not experience any major defaults or delay by our suppliers that had a material adverse impact on our operations. We do not anticipate any sourcing difficulties in the foreseeable future.

The following tables set out certain basic information regarding our top five suppliers during the Track Record Period:

Year ended 31 December 2015

Supplier	Year of establishment	Nature of main business	Business relationship with our Group since (year)	Approximate % of our total cost	Place of operation	Scale of company
Supplier A	1998	Construction contractor	2010	50.7%	The PRC	Registered capital: RMB688.0 million 2017 revenue: Approximately RMB5,125.4 million
Supplier B	1981	Construction contractor	2013	20.9%	The PRC	Registered capital: RMB70.0 million 2017 revenue: Approximately RMB2,497.3 million
Supplier C	2007	Construction contractor	2013	20.3%	The PRC	Registered capital: RMB116.0 million 2017 revenue: Approximately RMB651.8 million
Supplier D	2004	Construction contactor	2013	1.2%	The PRC	Registered capital: RMB24.0 million 2017 revenue: Approximately RMB107.6 million
Supplier E	2004	Construction contactor	2013	1.0%	The PRC	Registered capital: RMB500.0 million 2017 revenue: Approximately RMB1,811.2 million

Year ended 31 December 2016

Supplier	Year of establishment	Nature of main business	Business relationship with our Group since (year)	Approximate % of our total cost	Place of operation	Scale of company
Supplier C	2007	Construction contractor	2013	44.6%	The PRC	Registered capital: RMB116.0 million 2017 revenue: Approximately RMB651.8 million
Supplier A	1998	Construction contractor	2010	27.3%	The PRC	Registered capital: RMB688.0 million 2017 revenue: Approximately RMB5,125.4 million
Supplier B	1981	Construction contractor	2013	12.2%	The PRC	Registered capital: RMB70.0 million 2017 revenue: Approximately RMB2,497.3 million
Supplier F	2011	Sales agent	2015	1.5%	The PRC	Registered capital: N/A*(Note 1)* 2017 revenue: Approximately RMB3.9 million
Supplier G	1999	Construction contractor	2013	1.2%	The PRC	Registered capital: RMB319.3 million 2016 revenue: Approximately RMB3.3 million*(Note 2)*

Notes:

1. Supplier F is a branch office of a company that was established in the PRC and also principally engaged in the provision of sales agency service.

2. Supplier G was dissolved in December 2017.

Year ended 31 December 2017						
Supplier	Year of establishment	Nature of main business	Business relationship with our Group since (year)	Approximate % of our total cost	Place of operation	Scale of company
Supplier A	1998	Construction contractor	2010	40.3%	The PRC	Registered capital: RMB688.0 million 2017 revenue: Approximately RMB5,125.4 million
Supplier C	2007	Construction contractor	2013	27.7%	The PRC	Registered capital: RMB116.0 million 2017 revenue: Approximately RMB651.8 million
Supplier B	1981	Construction contractor	2013	10.5%	The PRC	Registered capital: RMB70.0 million 2017 revenue: Approximately RMB2,497.3 million
Supplier H	2016	Construction contractor	2016	4.9%	The PRC	Registered capital: RMB1.0 million 2016 revenue: Approximately RMB0 (Note)
Supplier I	N/A	Governmental administrative unit	2016	3.1%	The PRC	Registered capital: N/A 2017 revenue: N/A

Note: Supplier H was established in November 2016. As at the Latest Practicable Date, the 2017 financial information of Supplier H was unavailable.

Six months ended 30 June 2018						
Supplier	Year of establishment	Nature of main business	Business relationship with our Group since (year)	Approximate % of our total cost	Place of operation	Scale of company
Supplier A	1998	Construction contractor	2010	31.8%	The PRC	Registered capital of RMB688.0 million 2017 revenue: Approximately RMB5,125.4 million
Supplier C	2007	Construction contractor	2013	20.8%	The PRC	Registered capital: RMB116.0 million 2017 revenue: Approximately RMB651.8 million
Supplier B	1981	Construction contractor	2013	19.7%	The PRC	Registered capital: RMB70.0 million 2017 revenue: Approximately RMB2,497.3 million
Supplier J	2012	Construction contractor	2018	3.0%	The PRC	Registered capital: RMB10.0 million 2017 revenue: Approximately RMB1.6 million
Supplier K	2004	Construction contractor	2018	2.0%	The PRC	Registered capita: RMB50.0 million 2017 revenue: Approximately RMB41.1 million

All of our top five suppliers are independent third parties in which none of our Directors and their respective close associates or shareholders hold more than 5% of our issued share capital has any interest.

We maintain a group of suppliers who meet our quality requirements and periodically review and update our list of suppliers based on our experiences doing business with them. We have established stable relationships with our major suppliers.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property forms an integral part of our brand recognition and is important to our business. As at the Latest Practicable Date, we had registered 11 trademarks in the PRC in different classes. We were the registered owner of seven domain names. Please refer to the sub-paragraph headed "2. Intellectual property rights" under the paragraph headed "B. Further information about our business" in Appendix V to this prospectus for details of the trademarks and domain names which we consider to be material to our business. We cannot assure you that our brand will be adequately protected from negative publicity or that our business would not be adversely affected should such negative publicity arise. Please refer to the sub-paragraph headed "We rely on our trade name and trademarks and any infringement or inappropriate use of our trade name or trademarks may be detrimental to our reputation and profitability." under the paragraph headed "Risks relating to our business" under the section headed "Risk factors" in this prospectus for further details.

As at the Latest Practicable Date, we were not aware of any pending claims by any third party against us for the use of our intellectual property rights. As of the Latest Practicable Date, we were not aware of any infringement by us of intellectual property rights owned by third parties or infringement by third parties of our intellectual property rights.

We were not involved in any litigation or administrative punishment regarding intellectual property rights and there has been no infringement of any intellectual rights of third parties during the Track Record Period.

COMPETITION

The PRC property industry is highly competitive, notwithstanding a high entry barrier. The key market for our Group is located in Huizhou in Guangdong Province. Our existing competitors include major State-owned and private domestic property developers and, to a lesser extent, foreign property developers primarily from Asia, including leading property developers from Hong Kong, who have business operation in cities where we operate or intend to operate. In recent years, there is an increasing number of property developers entering into the property development industry in cities where we have development projects. This resulted in increasing competition in such markets. The major entry barriers of the PRC property development industry include the local market knowledge, the brand penetration in the local markets and the large financial commitment for acquisition of land.

We consider our major competitors have been developing at a rapid pace. These competitors may be of larger operating scale and may have stronger financial strengths and resources than ours. Yet since our Group has solid local market knowledge and experience in property development, a reputable brand name in the local markets, strategically located land bank in Huizhou in Guangdong Province and locations in the PRC which we consider with potential growth, we believe that we have established our brand in the market and have the capability of providing quality facilities and services, and thus can continue to remain competitive in the market and generate further business growth despite the intense competition. Please refer to the section "Industry overview" in this prospectus for details of the market analysis for those industries which our business operations fall under.

ENVIRONMENTAL MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by the relevant local government authorities.

Each of our development projects is required under PRC laws and regulations to undergo environmental impact assessments. We have to submit relevant environmental impact study, report or environmental impact analysis, along with other required documents, to the environmental authorities for evaluation and approval by the authorised environmental protection administrations prior to the commencement of construction of our development projects. In obtaining the approval, an entity must, during the phase of feasibility study of the development project, file an environmental report of the development project, an environmental impact report and an environmental impact registration form. All documents are subject to the approval of the authorised environmental protection administration. Approval from relevant government authorities will specify the standards applicable to the implementation of the development project with respect to areas such as air pollution, noise emissions and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of the particular development projects. Upon completion of each development project, relevant government authorities will inspect the site to ensure that applicable environmental standards have been complied with, and reports are then presented together with other specified documents to the local construction administration authorities for record, before the relevant property can be delivered to the purchaser.

We take specific measures to ensure our compliance with the applicable environmental laws and regulations, including: (i) strictly selecting construction contractors and supervising the process of construction; (ii) applying for review by the relevant government authorities in a timely manner after the development project is completed; and (iii) actively adopting environmentally friendly equipment and designs.

We have incurred costs in connection with compliance with environmental laws and regulations. The annual expenditure on environmental compliance paid to the construction teams for compliance with the relevant environmental laws and regulations was approximately RMB0.02 million, RMB0.06 million, RMB0.26 million and nil for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. The expected future cost of compliance with environmental laws and regulations for development projects held for future development is approximately RMB20,000. We have obtained environmental impact approval for all of our completed development projects and development projects under construction.

Our Directors confirm that our operations have complied and will comply with all PRC environmental laws and regulations in all material respects, and we have not (i) received any notification from environmental authorities for any violation of environmental protection laws and regulations; or (ii) been subject to any penalties or administrative sanctions arising from non-compliance of national or local environmental laws and regulations during the Track Record Period. During the Track Record Period, we have not received any notification from environmental authorities for any violation of environmental protection laws and regulations.

HEALTH AND SAFETY MATTERS

We are subject to laws and regulations in relation to workplace safety in the PRC. Our project management division is responsible for overseeing the safety of our employees during the overall project development process. To maintain a safe working environment, we have established internal policies on safety management whereby different team is assigned different safety compliance responsibilities.

With respect to construction site safety, our project management division and our construction contractors are responsible for the security management and accident prevention at construction sites. We require our construction contractors to take specific measures strictly in accordance with the PRC laws and regulations in minimising the possibility of work-related accidents and injuries, which include requiring any temporary facilities on-site to meet safety requirements and the construction teams who operate the machines to obtain the relevant safety-related licences and take safety precautions such as wearing safety helmets and complying with applicable regulations when dealing with electricity and fire. Our construction contractors are required to maintain accident insurance for their workers, and to purchase accident insurance to cover their workers' medical and other related expenses. We also engage independent third party surveyor companies to monitor safety measures throughout the construction process and to submit report of the inspection results to us regularly.

To ensure the safety of our visitors, tenants, property occupiers and employees, we have installed surveillance cameras at the main entrances, reception halls and front desks of various sections of our projects sites which are under development as well as certain spots of the public area. We also have security guards stationing at various entrances and carrying out 24-hour patrol.

During the Track Record Period and as at the Latest Practicable Date, we had complied with the applicable PRC workplace safety regulations in all material respects and did not encounter any incident or complaint which had a material adverse effect on our operations.

LICENCES, REGULATORY APPROVALS AND COMPLIANCE RECORDS

In the PRC, it is necessary for companies in the property development and construction industries to obtain certain licences and/or permits before commencing their operations. The major operating licences and permits held by the subsidiaries/associate/joint venture of our Group include the following:

Name of subsidiaries/ associate/joint venture	Issuing authority	Name of operating licences and permits	Category	Expiration date
Tianjin Jianji	天津市城鄉建設委員會 (Tianjin committee of urban-rural construction*)	中華人民共和國房地產開發企業資質證書 (Qualification certificate for real estate development enterprise in the People's Republic of China)	Class 4	28 February 2019
Huizhou Yuefu	惠州市住房和城鄉規劃建設局 (Huizhou bureau of housing and urban-rural development*)	中華人民共和國房地產開發企業暫定資質證書 (Interim qualification certificate for real estate development enterprise in the People's Republic of China)	Provisional	31 December 2018
Huizhou Cheer Happy	惠州市住房和城鄉規劃建設局 (Huizhou bureau of housing and urban-rural development*)	中華人民共和國房地產開發企業資質證書 (Qualification certificate for real estate development enterprise in the People's Republic of China)	Class 3	31 December 2019
Huizhou Million Cities	惠州市住房和城鄉規劃建設局 (Huizhou bureau of housing and urban-rural development*)	中華人民共和國房地產開發企業暫定資質證書 (Interim qualification certificate for real estate development enterprise in the People's Republic of China)	Provisional	31 December 2018
Huizhou Well Kong	惠州市住房和城鄉規劃建設局 (Huizhou bureau of housing and urban-rural development*)	中華人民共和國房地產開發企業暫定資質證書 (Interim qualification certificate for real estate development enterprise in the People's Republic of China)	Provisional	31 December 2019
Huizhou China Field	惠州市住房和城鄉規劃建設局 (Huizhou bureau of housing and urban-rural development*)	中華人民共和國房地產開發企業暫定資質證書 (Interim qualification certificate for real estate development enterprise in the People's Republic of China)	Provisional	31 December 2020
Henan Julong	駐馬店住房管理中心 (Zhumadian Housing Management Centre*)	中華人民共和國房地產開發企業暫定資質證書 (Interim qualification certificate for real estate development enterprise in the People's Republic of China)	Provisional	18 September 2019

Please also refer to the paragraph headed "Qualifications of real estate developers" under the section headed "Regulatory overview" in this prospectus for further details.

Our PRC Legal Advisers have confirmed that we have obtained all necessary licences, approvals, certificates and permits that are necessary for our property development and construction business operations in the PRC. All such licences, approvals, certificates and permits are valid and effective. Save as disclosed in the paragraph headed "Non-compliance" in this section below, our Directors and our PRC Legal Advisers are of the view that during the Track Record Period, we have been in compliance in all material respects with the applicable laws and regulations in the PRC where we operate our businesses. None of our development projects is subject to any seizure order, court order or judgment that are adverse to the interests or operations of our Group as at the Latest Practicable Date.

Our Directors have confirmed that we will apply for the renewal of all qualification certificates in accordance with the relevant PRC laws and regulations. If we fail to maintain our licences, certificates, permits or governmental approvals upon expiry, our development projects may be delayed and there may be adverse effect on our business. Please refer to the sub-paragraph headed "Failure to obtain, abide by, or material delays in obtaining, requisite certificates, permits, approvals or licences from the PRC government may adversely affect our ability in carrying out our property development operations." under the paragraph headed "Risks relating to our business" under the section headed "Risk factors" in this prospectus.

Non-compliance

Non-compliance incident	Reason for non-compliance	Legal consequences and maximum penalty	Remedial action(s) as well as enhanced internal control measures taken and status	Directors/senior management in charge of rectification	Potential impact on our operations and financial condition
During the Track Record Period, we (i) failed to timely set up social insurance accounts for 17, 15, 24 and 29 of our employees, respectively, and housing provident fund accounts for 49, 45, 74 and 35 of our employees respectively; and (ii) failed to timely contribute fully to social insurance contribution for 99, 100, 121 and 86 of our employees, respectively, and housing provident fund contributions for 67, 70, 71 and 77 of our employees respectively. We estimate that the unpaid amount of social insurance during the Track Record Period were approximately RMB1.5 million, RMB1.6 million, RMB2.1 million and RMB0.9 million, respectively. We estimate that the unpaid amount of housing provident fund during the Track Record Period were approximately RMB0.5 million, RMB0.5 million, RMB0.6 million and RMB0.3 million, respectively.	Such failure was primarily due to certain of our employees' unwillingness to participate in housing provident fund and social insurance scheme. We were aware of such non-compliance during the Track Record Period. Despite our communication with the employees, they insisted on not participating/fully participating in housing provident fund and/or social insurance schemes. For the purpose of retaining our talents and employees, we did not make the corresponding payments for the relevant employees if they were unwilling to participate. As at the Latest Practicable Date, to the best of our Directors' knowledge and belief, we have not been subject to any administrative penalty actions in respect of such non-compliance.	In respect of social insurance contributions, our PRC Legal Advisers advised that the social insurance in the PRC may (a) require us to make up for the previously underpaid social insurance contributions within a prescribed time; (b) impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue; and (c) in the case of the failure to make payment within the prescribed period, a penalty from one to three times of the amount of overdue payment shall be imposed on us. In respect of housing provident fund contributions, our PRC Legal Advisers advised that (i) in relation to late opening of housing provident fund accounts, the relevant housing provident fund management authority may order us to set up accounts within a prescribed period, failing which a penalty of an amount of over RMB10,000 and below RMB50,000 would be imposed; and (ii) in relation to the failure to make full contributions of housing provident fund in the PRC may require us to make up for the previously unpaid housing provident fund contributions within a prescribed time, failing which the relevant authority may apply to the People's Court for mandatory enforcement of payment. As advised by our PRC Legal Advisers, where an act of violating labour security laws, regulations or rules is neither found by the labour security administration nor reported or complained by others within two years, the labour security administration shall no longer investigate it. However, the period prescribed above shall begin from the date when the act of violating labour security laws, regulations or rules is terminated or fully rectified if such act is in a continuing state. Therefore, if (i) it has exceeded two years after the relevant employee has resigned; and (ii) there was no complaint filed by such employee with those two years, the risk of the employer being requested to pay the underpaid social insurance payment is remote.	We shall ensure our Group maintains close communication with our PRC Legal Advisers and consults our PRC Legal Advisers in relation to the annual contribution requirements of social insurance payment and housing provident fund contributions in a timely manner so as to ensure that social insurance payment and housing provident fund contributions for all our employees in the PRC shall be made timely. We will arrange registration of social insurance and housing provident fund for each newly hired employee within the stipulated period and immediately for each existing employee not yet registered. We have paid the monthly contribution in full compliance with relevant rules and regulations starting from June 2018 payroll, and will achieve full compliance in our Group prior to Listing.	Our executive Director and Chief Operating Officer, namely Mr. Danny Wong	As advised by our PRC Legal Advisers, based on the written confirmations obtained by us from the relevant competent governmental authorities, it is of the view that: • the risk of us being required by the relevant competent governmental authorities to pay the outstanding amount of social insurance payments and housing provident fund contributions for our PRC employees is less likely; and • the risk of us being penalised by the relevant competent governmental authorities for our failure to make full social insurance payments and housing provident fund contributions for our PRC employees is less likely. Despite (i) we have obtained written confirmations from the relevant competent governmental authorities that our Group has complied with the relevant laws and regulations in respect of social insurance payment and housing provident fund contributions and there was no administrative penalty records against us in respect of social insurance payment and housing provident fund contributions; (ii) to the best of our Directors' knowledge and belief, we have not been subject to any administrative penalty actions in respect of the above non-compliance; (iii) we were not aware of any proceedings, claims, or disputes brought by our employees regarding social insurance payment and housing provident fund contributions against us; (iv) each of our employees implicated in the non-compliance has signed a written confirmation that he/she gives up his/her right in claiming the shortfall in social insurance and housing provided fund contributions; and (v) our PRC Legal Advisers are of the view that the risks mentioned above are less likely, for the purpose of good corporate governance purpose, a provision of approximately RMB4.3 million, RMB6.4 million, RMB9.2 million and RMB10.3 million representing the aggregate amount of outstanding contributions our employees can claim from us, was made to our financial statements for the three years ended 31 December 2017 and six months ended 30 June 2018, respectively. As such, our Directors are of the view that this non-compliance incident has no material impact on our operations, and it has no material impact to our business operation and does not reflect negatively on the ability or tendency of us.

Our Directors are of the view that the non-compliance incidents, individually and collectively, will not have any material adverse impact on our Group's business operations and financial position having considered that (i) the non-compliance incidents have been properly rectified and/or reported to competent government authorities; (ii) internal control measures have been or will be put in place to prevent future occurrence; (iii) the amount of possible fines/penalties to be imposed as a result of the non-compliance incidents are immaterial; and (iv) provision has been made for the non-compliance incidents.

Save as disclosed above, to the best of our Directors' knowledge and belief, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations applicable to us in all material respects concerning our operations.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not involved in any actual or pending legal or arbitration proceedings that we believe would have a material adverse impact on our financial condition or results of operation. In particular, we were not involved in any material claims or administrative penalties in relation to our Group made or notified either by third parties against us or vice versa.

As at the Latest Practicable date, we are not aware of any current, pending or threatened litigation, claim of arbitration against our Group which could have a material adverse effect on our financial condition or results of operation.

INTERNAL CONTROL MEASURES TO ENSURE FUTURE COMPLIANCE

In order to continuously improve our corporate governance and to prevent recurrence of the non-compliance incidents, we have adopted or intend to adopt the following remedial actions:

(i) we have established a series of internal control policies, which have been reviewed and approved by our management and our Board, to improve our internal control systems and to ensure our compliance with the Listing Rules and the relevant laws in the PRC and Hong Kong;

(ii) we have engaged Ms. Lau Pui Kwan (劉佩君), a member of the Hong Kong Institute of Certified Public Accountants, as our executive Director, company secretary and Finance Director to be responsible for providing financial management and formulating financial strategies of our Group. Ms. Lau has over 12 years of experience in corporate accounting and auditing, audit and company secretarial practices;

(iii) we will take remedial measures to address certain deficiencies in our internal control systems, including monitoring the ongoing compliance with the internal control measures put in place;

(iv) our Directors have attended trainings conducted by our Hong Kong legal advisers on 19 June 2018 on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;

(v) we have established an audit committee which comprises three independent non-executive Directors. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters;

(vi) we have engaged and will continue to appoint external professional advisers, including auditors, legal advisers or other advisers to render professional advice as to compliance with the statutory requirements as applicable to our Group from time to time;

(vii) we have appointed China Everbright Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;

(viii) regular training sessions will be provided to our Directors, members of the senior management and staff after Listing to enhance their knowledge on the applicable PRC laws and regulation; and

(ix) we will conduct regular internal control reviews to ensure that the governmental regulations and related policies in different operational aspects are fully complied with.

Having participated in the above actions and trainings, our Directors are fully aware of their ongoing obligations, duties and responsibilities as directors of a listed company in Hong Kong, the relevant legal and regulatory requirements applicable to them and our Group and the establishment and maintenance of a robust internal control system that includes measures to ensure effective internal communications within our Group. Our Directors will continue to receive trainings and take measures to ensure that the above objectives will continue to be observed in the future.

Reviewed by the internal control consultant

In preparation for Listing, we engaged an independent internal control consultant to review the effectiveness of the internal control measures relating to our business operations with a view to identifying internal control weaknesses/deficiencies and furnishing internal control recommendations on remedial actions in order to enhance our internal control system generally. The review process took place from 13 March 2018 to 11 May 2018, and a follow-up review on the implementation status of these remedial actions took place from 23 May 2018 to 27 June 2018. Our remedial actions set out above are consistent with the key findings of the internal control consultant's review process. Based on the findings, recommendations and test results of the review process performed by such internal control consultant, no material deficiency has been identified. The work performed by such internal control consultant did not involve an assurance engagement in relation to our internal controls.

After considering the above remedial actions taken by our Group and our business nature and operation scale, our Directors are satisfied that our internal control system is adequate and effective for our current operation environment and consider that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for Listing under Rule 8.04 of the Listing Rules. We have designated our executive Director and Chief Operating Officer, Mr. Danny Wong to be responsible for conducting annual review on our internal control measures and system and reporting their findings to our audit committee and our Board. For details of Mr. Danny Wong's qualifications and experiences, please refer to the section headed "Directors, senior management and employees" in this prospectus.

Our Directors are of the view, and the Sole Sponsor concurs that, our internal control is sufficient and effective to prevent the occurrence of the non-compliance incidents in the future:

- having considered the reasons for each of the historical non-compliance incidents set out in the paragraph headed "Non-compliance" in this section above;
- the fines and penalties imposed were immaterial;
- our Group had established and enhanced the internal control policies and put in place a number of internal control measures as set out above;
- having reviewed the enhanced internal control measures of our Group;
- having considered the remedial actions, and the relevant statuses as at the Latest Practicable Date, and progress of our Group's implementation of the newly enhanced internal control measures to prevent recurrence of non-compliance incidents and the senior management was not aware of any further deficiencies on our Group's internal control systems; and
- there was no recurrence of the non-compliances subsequent to the implementation of the enhanced internal control measures.

Our Directors are of the view, and the Sole Sponsor concurs that, (i) the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and (ii) our Directors are willing and able to manage our Group's business in a law-abiding manner and that they are suitable to act as directors of a listed company based on the following:

(i) the occurrence of the non-compliance incidents was solely due to reasons that we could not control. Our Directors have no intention to breach laws and the incidents did not involve dishonesty or fraud on the part on our Directors or impugn their integrity or competence;

(ii) our Directors are focused on the overall business planning and strategic development of our Group and had delegated the responsibility of the daily operation of the project companies to the respective project managers. As such, our Directors had not been aware of the breaches at the material time. As soon as our Directors were made aware of the occurrence of the non-compliance incidents, whether in the past or during the preparation of Listing, they immediately proceeded to rectify the non-compliance incidents to the extent applicable and enhance the internal policies and procedures;

(iii) our Directors have not obtained any personal benefit directly or indirectly from those non-compliance incidents;

(iv) no fraudulent activities were involved in those non-compliance incidents;

(v) our Directors have engaged an external internal control consultant to recommend effective remedial measures and as a result of these measures which were initiated and implemented or to be implemented by our Directors, where the internal control consultant has checked the remediation of the issues concerned and our Company has established sufficient internal control measures;

(vi) the non-compliance incidents regarding social insurance payment and housing provident fund contribution were not related to our Group's business operations;

(vii) with the occurrence of non-compliance incidents, our Directors attach great importance to compliance matters and are mindful and alert to any issues that might result in any non-compliance, and various measures has been implemented to prevent the recurrence of non-compliance as disclosed in the paragraph headed "Non-compliance" in this section. Follow-up review conducted by our internal control consultant in May 2018 did not identify any additional material internal control deficiencies;

(viii) with the training sessions provided to our Directors, our Directors are fully aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations; and

(ix) external professional advisers will be appointed to render professional advice to our Directors and assist our Directors in ensuring ongoing compliance with the statutory requirements and the Listing Rules as applicable to our Group from time to time.

INSURANCE

There are no national mandatory provisions under the relevant PRC laws and regulations requiring property developers to maintain insurance coverage with respect to their operations. Under general industry practice, property developers would maintain risks and third party insurance policies for all their development projects under construction. However, we generally do not maintain such insurance policies and only maintain property risk insurance. Instead, we require the construction contractors of our development projects to maintain risks and third party insurance policies and insurance coverage for their employees and equipment. We finance our development projects by bank loans and mortgage our parcel of land in favour of relevant banks, if necessary. When we mortgaged our parcel of land for our development projects, in favour of a bank, they may request us to maintain insurance policy with it as beneficiary. For example, our Group maintained risks and third party insurance policies for Million Cities Legend Phase 2 and Crown Grand Court under its construction. We will continue to closely monitor the quality and safety measures being implemented on our construction sites in order to minimise the risks of damage to our property and other liabilities that may be attributable to us. We also do not maintain insurance policies for properties that have been sold and delivered to our customers. Instead, property management companies will maintain all risks property insurance and public liability insurance for common areas and amenities of these properties. We have also taken out housing provident fund and social insurance for our employees. As at the Latest Practicable Date, we had not experienced any significant loss or damage to our properties.

We believe that we have maintained adequate insurance coverage for our operations and that the scope of the coverage is in line with industry norms. In addition, according to our construction contracts, any liability that may arise during the construction at the work site of relevant development project will be borne by the construction companies. However, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. Please refer to the sub-paragraph headed "We may not have adequate insurance coverage to cover our potential liabilities or losses and as a result our business, results of operation and financial condition may be materially and adversely affected." under the paragraph headed "Risk relating to our business" under the section headed "Risk factors" in this prospectus for further details.

WARRANTY AND PRODUCT RETURNS

We provide our customers with a warranty for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (商品房銷售管理辦法), Development Regulations and Housing Construction Quality Warranty Measures (房屋建築工程質量保修辦法). We provide different warranty and maintenance periods to our property purchasers in respect of different parts of the construction projects of the building according to the "Implementation Regulation of Residence Quality Guarantee and Residence Manual System on Commercial Housing" (商品住宅實行住宅質量保證書和住宅使用說明書制度的規定), "Measures on the Warranty and Maintenance of Building Construction Projects" (房屋建築工程質量保修辦法) or other published national standards.

In general, the warranties given to our property purchasers for all of our development projects are set below:

Warranty	Maintenance period
Foundation works and construction of the main structure	In accordance with the relevant design documents
Waterproof works	Five years
Water leakage on kitchen, bathroom floor and basement	Five years
Sewage systems	Two years
Metal parts of windows and doors	Two years

All warranty periods commence on the day of actual delivery of the relevant properties, or the day the properties are deemed as delivered in accordance with relevant contracts. We do not provide warranties with respect to defects that are caused by improper use and defects resulting from natural disasters. We usually provide quality warranties for periods equivalent to that for quality warranties we receive from our construction contractors under the relevant construction contracts. Our construction contractors are responsible for warranties in respect of the relevant quality standards and for the costs incurred for the relevant maintenance work.

During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any material claims or received any material complaints with respect to the quality of our building structures or other fittings which cannot be rectified by the relevant construction contractors in accordance with their warranty provisions of the relevant agreements.

EMPLOYEES

As at 30 June 2018, we had 162 employees in total, amongst which there were 117, 39 and 6 employees situated in Huizhou in Guangdong Province, Tianjin and Hong Kong, respectively. The remuneration package of our employees included salaries and bonuses.

The table below sets out the number of our full-time employees by functions as at 30 June 2018:

Functions	Number of employees as at 30 June 2018
The PRC	
Project development division	35
Project design division	5
Project management division	9
Sales and marketing division	43
Costs management division	9
Human resources and administration division	27
Finance division	28
Sub-total	156
Hong Kong	
Management	4
Finance division	2
Sub-total	6
Total	162

We actively recruit skilled and qualified personnel in local markets mainly through internal referrals and advertisement on the Internet. We particularly value employees who demonstrate loyalty to their work and who values our corporate culture, as well as those with relevant working experience. At the end of each year, we assess our human resources based on our Group's development strategy to set out our human resources plan and to determine whether additional manpower is required to cope with our business development. We have also established training programs for our employees, such as management as well as marketing and sales personnel, based on their positions and expertise.

We enter into individual employment contracts with our employees to cover matters such as wages, benefits, conflict of interests declaration and terms of termination. For our project design division, costs management division and sales and marketing division staff, we also require them to sign confidentiality agreement with us to ensure no confidential information, including all of our information regarding design and budget, may be divulged to any third parties. We offer our employees competitive remuneration packages that include basic salaries, performance-based payments and discretionary bonuses, based on their position and responsibility. We also contribute to housing provident fund as well as social insurance for our employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds. As part of our employees' benefit, we also offer our employees and their respective close family members to purchase the properties developed by us at a discount ranging from 5% to 7% from their original price. Save as the discounts mentioned above, the terms of sales of properties to our employees and their respective close family members, including the settlement terms and credit period, were the same as those conducted with third party-customers of our Group. The following table sets out the number of units of properties developed by us which were sold to our employees and their respective close family members during the Track Record Period:

	For the three years ended 31 December			For the six months ended 30 June
	2015	**2016**	**2017**	**2018**
— Million Cities Legend	Nil	14	3	1
— Sunshine New Court	Nil	6	2	10
— Million Cities Tycoon Place	Nil	Nil	14	Nil
— Crown Grand Court	Nil	Nil	Nil	12

For details, please refer to the sub-paragraphs headed "Revenue" and "Gross profit and gross profit margin" under the paragraph headed "Consolidated statements of profit or loss" under the section headed "Financial information" in this prospectus.

Our Directors believe that we maintain good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. During the Track Record Period and up to the Latest Practicable Date, our Group's employees did not establish any labour union.

To uphold our brand image and to ensure the quality of our service, all our new staff is required to attend a pre-job training and provided with a new staff handbook. We provide our employees with work safety handbook to enhance their safety awareness.

Save as disclosed in the paragraph headed "Non-compliance" above in this section, as advised by our PRC Legal Advisers, we have complied with the applicable labour laws and regulations in the PRC in all material respects. We received confirmation from the relevant authorities confirming that we have not been punished for any violation of the applicable labour laws in the PRC in all material respects during the Track Record Period.

During the Track Record Period, our total staff costs were approximately RMB17.4 million, RMB19.8 million, RMB26.8 million and RMB16.0 million, respectively.

LEASED PROPERTIES

Apart from the properties which count as our land bank that we held for future development, we also occupy certain properties in the PRC for our business operation. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and they are primarily used as staff quarters.

As at the Latest Practicable Date, we leased (i) ten properties for staff quarters purpose; and (ii) one property for sub-leasing purpose to a shop tenant, in the PRC from independent third parties, and one property for office premises purpose in the PRC from a connected person. For further details regarding our lease of office premises in Huizhou in Guangdong Province, please refer to sub-paragraph headed "Lease of office premises" under the paragraph headed "Exempt Continuing connected transactions" under the section headed "Continuing connected transactions" in this prospectus. Among these ten properties, six are situated at Huizhou in Guangdong Province and four are situated at Tianjin, with a total gross floor area of approximately 885.25 sq.m..

For the purpose of Chapter 5 of the Listing Rules, no single abovementioned leased property interest that formed part of our non-property activities had a carrying amount of 15% or more of our total assets, hence we are not required by Chapter 5 of the Listing Rules to value or include in the prospectus any valuation report of our leased property interests.

OTHER PROPERTIES HELD FOR INVESTMENT

Our Group also acquired properties which were not developed by us and held for capital appreciation.

As at the Latest Practicable Date, we held three properties that were acquired and not developed by us and held for capital appreciation, all of which were situated in Huizhou in Guangdong Province, with a total gross floor area of approximately 3,664.08 sq.m..

Please refer to properties numbered 19, 20 and 21 in the valuation report as set out in Appendix III to this prospectus for further information on the properties held for capital appreciation.

OUR CONTROLLING SHAREHOLDERS

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 November 2016. Immediately upon completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and no Shares are issued pursuant to any options which may be granted under the Share Option Scheme), Fortune Speed will directly hold 562,500,000 Shares, representing 75% of the total issued share capital of our Company. Fortune Speed is wholly owned by Winnermax Management, which in turn is wholly owned by Happy Family Assets, a company wholly owned by East Asia International Trustees Limited. East Asia International Trustees Limited is the trustee of the Happy Family Trust. Pursuant to the trust deed establishing the Happy Family Trust, Mr. TC Wong is the settlor and protector of the Happy Family Trust for the benefit of the Wong's Family.

As such, Happy Family Assets, Winnermax Management and Fortune Speed will together be entitled to directly or indirectly exercise or control the exercise of 75% of the voting rights at the general meeting of our Company immediately following completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and no Shares are issued pursuant to any options which may be granted under the Share Option Scheme). Therefore, we consider Happy Family Assets, Winnermax Management, Fortune Speed and each of the members of the Wong's Family as a group of Controlling Shareholders of our Group for the purpose of the Listing Rules.

EXCLUDED BUSINESSES

Mr. TC Wong, our Controlling Shareholder, non-executive Director and Chairman engages in property development through our Group and various private companies controlled by him which does not form part of our Group. Our Group primarily focuses on the development of properties that are predominantly for residential use in the PRC, whereas the Excluded Businesses are either (i) developing property development projects outside of the PRC; or (ii) engaging in hotel operation and management or purely commercial property development (the "**Excluded Businesses**"). The Excluded Businesses will not form part of our Group. Details of the Excluded Businesses are summarised below:

Excluded Business	Equity interests held by our Controlling Shareholders	Description
Shanghai Zhuosi Real Estate Company Limited* (上海卓斯置業有限公司)	40% by Brightwood Management Limited, an independent third party, 39% by Mr. TC Wong, 20% by Warren Pacific Limited, an independent third party and 1% by Mr. George Lau	It is a purely commercial project in Shanghai, the PRC with a total GFA of approximately 56,838.00 sq.m.. It is principally served as investment property

* *For identification purpose only*

Excluded Business	Equity interests held by our Controlling Shareholders	Description
Huizhou Crowne Hotel	99.5% by Kong Sing (H.K.) Limited, a company indirectly owned by the Happy Family Trust and 0.5% by Huizhou Yuefu	It engages in the business of hotel operations and management in Huizhou, Guangdong Province, the PRC, with a total GFA of approximately 89,000.00 sq.m.
Wuhu Dexin Real Estate Company Limited* (蕪湖德信置業有限公司)	42% by Ultra Mount Investments Ltd., a company ultimately owned by the Happy Family Trust, 38% by Speedway Int'l Holdings Ltd., an independent third party, and 20% by Brightwood Management Limited, an independent third party	It engages in the business of hotel operations and management in Wuhu, Anhui Province, the PRC, with a total GFA of approximately 84,876.97 sq.m.
Lucky Castle GS99 I Limited	100% by Lucky Castle Limited, a company 80% owned by Mr. TC Wong and 20% owned by Mr. Wong Wai Yue	It is a commercial project in London, the United Kingdom, with a total GFA of approximately 8,892.50 sq.m.. It is principally served as an investment property
Golden Concept Development Limited	68% by Glorious Million Limited, an independent third party, 10% by United Bliss Limited, an independent third party, 10% by Wealth Anchor Investments Limited, an independent third party, 5% by the Wong's Family through Zehho Limited, 5% by Man Wah Investments Limited, a connected person of our Group at a subsidiary level, an independent third party	It is a residential development project in Hong Kong, with a total GFA of approximately 28,179.21 sq.m.

* *For identification purpose only*

Reasons for exclusion of the Excluded Businesses

We have taken into account of the following reasons in the exclusion of the Excluded Businesses:

(i) Business strategy of our Group

It is our Group's strategy to focus on the development of affordable luxury residential complexes or integrated residential properties in Huizhou in Guangdong Province and in regions in the PRC which we consider having potential growth, such as Tianjin and Zhumadian in Henan Province. Our development projects are designed to appeal to middle to high income residents and we cater the needs of the potential buyers by equipping our development projects with ancillary facilities, such as retail stores, club houses and kindergartens. The Excluded Businesses are either generally engaged in hotel operation and management and purely commercial property development or located outside of the PRC except for the Excluded Business in Shanghai. Therefore, the Excluded Businesses are not in line with our Group's business strategy and thus not included in our Group. We intend to continue focusing on the development of residential complexes or integrated residential properties in the Greater Bay Area and other regions in the PRC which we consider having potential growth. We have no current intention to expand our property development business at locations where the Excluded Businesses are situated in.

(ii) Clear geographical delineation between our Group and the Excluded Businesses

The businesses of our Group and of the Excluded Businesses are clearly delineated by reference to their respective geographical locations. All of our Group's development projects are located in Huizhou in Guangdong Province and in regions in the PRC which we consider having potential growth, while the Excluded Businesses are located outside of the PRC, except for the Excluded Business in Shanghai. The Excluded Businesses are considered to be located outside of our Group's geographical focus and therefore excluded from our Group.

(iii) Clear business delineation between our Group and the Excluded Businesses

Our Group primarily engages in the business of residential property development, whereas the Excluded Businesses are generally engaged in either purely commercial property development or the business of hotels operation and management. Therefore, the Excluded Businesses engage in business operations which are unrelated to residential property development and thus excluded from our Group.

(iv) Clear management delineation between our Group and the Excluded Businesses

Mr. TC Wong, our Controlling Shareholder, non-executive Director and Chairman, has not participated in and will not participate in the daily business operations and management of the Excluded Businesses. Since the daily business operations and management of the Excluded Businesses are managed by other independent third parties, therefore, there is no overlap in the management between the Excluded Businesses and our Group.

Our Directors are of the view that, since our Group is a property developer primarily focusing on development of properties that are predominantly for residential use in Huizhou in Guangdong Province and in regions in the PRC which our Group considers having potential growth such as Tianjin and Zhumadian in Henan Province, and the Excluded Businesses are (i) not in line with our Group's business strategy; or (ii) clearly delineated by reference to their respective nature of business and geographical locations; or (iii) clearly delineated by reference to their management, none of the Excluded Businesses would compete, or is expected to compete, directly or indirectly, with our Group's core businesses. As of the Latest Practicable Date, our Controlling Shareholders confirmed that they have no current intention to inject the Excluded Businesses into our Group. If there is any change in such information after Listing, our Company will disclose the relevant information by way of an announcement in accordance with the Listing Rules.

Our Controlling Shareholders, Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business which would require disclosure pursuant to Rule 8.10 of the Listing Rules. For further details, please refer to the paragraph headed "Excluded Businesses" in this section.

DEED OF NON-COMPETITION

To ensure that competition does not develop between our Group and other business activities and/or interests of our Controlling Shareholders, each of our Controlling Shareholders (collectively, the "**Covenantors**" and each, a "**Covenantor**") has entered into a deed of non-competition (the "**Deed of Non-competition**") in favour of our Company on 30 November 2018, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with our Company that at any time during the Relevant Period (as defined below), the Covenantor shall not, and shall procure that its/his/her associates (other than members of our Group) shall not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC which is the same as, similar to or in competition or likely to be in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the "**Restricted Business**").

The above restrictions do not prohibit any of the Covenantors and its or his associates (excluding members of our Group) from:

(a) holding any securities of any companies which conducts or is engaged in any Restricted Business through their interests in our Group;

(b) undertaking project(s) or otherwise be involved in any of the Restricted Businesses provided that the following conditions are satisfied:

  (i) the project or business opportunity has been first offered to our Group, and our Group has not taken it up;

  (ii) the relevant Convenantor shall not undertake projects or businesses awarded by or otherwise entered into with any past or present customer(s) of our Group; and

  (iii) the relevant Covenantor shall not undertake any project(s) or business(es) in which our Group has previously sought to take part; or

(c) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (1) such investment or interest does not grant the Covenantors or their respective associates any right to control the composition of the board of directors or managers of such entity, (2) none of the Covenantors or their respective associates control the board of directors or managers of such entity and (3) such investment or interest does not grant the Covenantors or their respective associates any right to participate directly or indirectly in such entity.

Each of the Covenantors has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business ("**New Business Opportunities**" and each, a "**New Business Opportunity**") to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) in the following manner:

- As soon as it/he/she becomes aware of any New Business Opportunity, give written notice (the "**Offer Notice**") to us identifying the target company (if relevant) and the nature of the New Opportunity, detailing all information available to it/him/her for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to it).

- Our Company shall, as soon as practicable and in any case within 25 business days from the receipt of the Offer Notice (the "**Offer Notice Period**") notify the relevant Covenantor in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party offering, proposing or presenting the New Business Opportunity and the relevant Covenantor shall use its/his/her best endeavors to assist us in obtaining such New Business Opportunity on the same or more favourable terms.

- Our Company is required to seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial adviser to advise on the terms of the transaction in the subject matter of such New Business Opportunity may be required.

- The relevant Covenantor may, at its/his/her absolute discretion, consider extending the Offer Notice Period as appropriate.

- The relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favourable, terms and conditions in all material respects as set out in the Offer Notice if:

  (i) it/he/she has received a written notice from us declining the New Business Opportunity; or

  (ii) it/he/she has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 25 business days from our receipt of the Offer Notice, or if it/he/she has extended the Offer Notice Period, within such other period as agreed by it, in which case our Company shall be deemed to have declined the New Business Opportunity.

- If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, it/he/she shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, our independent non-executive Directors will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantors, for themselves and on behalf of their associates (except any members of our Group), have also acknowledged that our Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in public announcements or annual reports of our Company our decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

Under the Deed of Non-competition, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

(i) the Covenantors shall provide, and shall procure their associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their associates' (other than members of our Group) compliance with the Deed of Non-competition, and to enable our independent non-executive Directors to enforce the Deed of Non-competition;

(ii) without prejudicing the generality of paragraph (i) above, the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Deed of Non-competition;

(iii) the Covenantors have agreed and authorised us to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual reports or by way of public announcements; and

(iv) each of the Covenantors agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Deed of Non-competition by the Covenantors or any of their respective associates.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcement to the public.

For the purposes of the above, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of (i) the date when the Covenantors and any of their associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company or (ii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of our Shares).

Corporate governance measures

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- our independent non-executive Directors will review, on an annual basis, the compliance with non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition;

- our Controlling Shareholders shall provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

- our Company will disclose decisions and related basis on matters reviewed by our independent non-executive Directors (including all rejections by our Company of New Business Opportunities that have been referred from our Controlling Shareholders) relating to the compliance with and enforcement of the non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company or by way of public announcements;

- our Controlling Shareholders will make annual statements on compliance with the Deed of Non-competition in our annual reports, which is consistent with the principles of making disclosure in the corporate governance report of the annual report under the Listing Rules;

- a Director with materials interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent itself/himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of our independent non-executive Directors;

- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) that can facilitate the exercise of independent judgment. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors, please refer to the sub-paragraph headed "Independent non-executive Directors" under the paragraph headed "Directors" under the section headed "Directors, senior management and employees" of this prospectus;

- in the event that any potential conflict of interest arises, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, the Director(s) with an interest in the relevant transaction(s) shall be excluded from our Board deliberation process and abstain from voting and shall not be counted towards the quorum in respect of the relevant resolution(s) at such Board meeting;

- in the event any potential conflict of interest arises at the shareholders' level, our Controlling Shareholders shall abstain from voting in the Shareholders' meeting of our Company with respect to the relevant resolution(s);

- in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to our Company by our Controlling Shareholders were not taken up) either through our Company's annual report or by way of announcements;

- pursuant to the Corporate Governance Code and Corporate Governance Report in accordance with Appendix 14 to the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs;

- any proposed transaction between us and connected persons will be subject to Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders' approval requirements of such rules; and

- we have appointed China Everbright Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Among our Company's eight Directors, only two Directors, namely Mr. TC Wong and Mr. Ip Shu Kwan, Stephen, hold directorships in the Nameson Group. The rest of our Directors do not hold any directorship or senior management position with the Nameson Group, and collectively, have sufficient time to manage our Group's day-to-day operations, taking into account their other work commitments. Both Mr. TC Wong and Mr. Ip Shu Kwan, Stephen will not be involved in our Group's day-to-day business operations as non-executive Director and independent non-executive Director, respectively, while Mr. TC Wong will assume a strategic role in formulating our Group's business strategy as Chairman.

Management independence

(a) Our Directors and senior management

Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors and members of the senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of our Board. For details, please refer to the section headed "Directors, senior management and employees" in this prospectus.

The daily operation of our Group is carried out by an independent experienced senior management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis.

(b) Our Controlling Shareholders

As of the Latest Practicable Date, Mr. TC Wong, our Controlling Shareholder, non-executive Director and Chairman did not hold and will not hold any positions in, or is otherwise involved in the daily management and operations of the Excluded Businesses in any manner. Moreover, the Excluded Businesses are managed by independent third parties. Therefore, Mr. TC Wong will be able to devote sufficient time to the management of our Group. In addition, Mr. TC Wong is fully aware of his fiduciary duties and obligations as a director, where he shall act for the benefit and in the best interests of our Company and its shareholders in respect of the affairs of our Group.

As disclosed in the section headed "Directors, senior management and employees" in this prospectus, only two of the Directors in our Board will have overlapping roles in our Group and the Nameson Group upon Listing. There are no overlapping executive directors between our Company and Nameson.

The Nameson Group is one of the leading knitwear manufacturers in the PRC and is a company listed on the Main Board of the Stock Exchange (stock code: 1982). The principal scope of business of Nameson Group comprises design and manufacture of knitwear products such as pullovers, cardigans, vests and accessories to be exported to their international apparel brand customers. As of 31 March 2018, the Nameson Group was held as to approximately 65.9% by the Happy Family Trust and approximately 8.8% by Mr. TC Wong, respectively. As such, the Nameson Group is a connected person of our Group for the purpose of the Listing Rules.

There is a clear delineation in the nature of core businesses respectively engaged by our Group and the Nameson Group. Our Group primarily focuses on the development of properties that are predominantly for residential use in the PRC, whereas the Nameson Group primarily engages in the manufacturing of knitwear products. Therefore, there is no direct, indirect or potential competition, between the property development businesses of our Group and the knitwear manufacturing business of the Nameson Group.

The following table sets out the positions held by our Directors in our Company and their positions with the Nameson Group:

	Our Company	**Nameson**
Mr. TC Wong	Chairman and non-executive Director	Chairman, Chief Executive Officer and executive Director
Mr. Ip Shu Kwan, Stephen	Independent non-executive Director	Independent non-executive Director

Save as disclosed above, none of our Directors or senior management serves as a director or performs a senior management role in the Nameson Group. As our Company and Nameson are managed by different management teams, there are sufficient independent directors with relevant experience to ensure the proper functioning of our Board.

In the event of any actual or potential conflict of interest between our Group and the Nameson Group, our Directors who have ongoing roles with Nameson, being Mr. TC Wong and Mr. Ip Shu Kwan, Stephen, will abstain from voting on the relevant board resolutions and shall not be counted towards the quorum at both Nameson and our Company, and our other Directors (including all independent non-executive directors) will be able to decide and vote on the matter.

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management, are able to perform the managerial role in our Group independently.

Operational independence

Although our Controlling Shareholders will retain controlling interests in our Company after Listing, we have full rights in making all decisions regarding, and conduct, our own business operations independently. We have established our own organisational structure, and each department is assigned with specific areas of responsibilities. We are also in possession of all necessary relevant licences, approvals and certificates to conduct our business and we have sufficient operational capacity in terms of capital and employees to operate and manage independently. We do not rely on our Controlling Shareholders or their respective close associates for our operations. We have independent access to suppliers and an independent management team (including our Directors and senior management) to handle our daily operations. We have our own headcount of employees for our operations and management. We have also established a set of internal control procedures to facilitate and maintain the independent operation of our business.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after Listing.

Financial independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company, independent from our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent and sound audit system, a standardised financial and accounting system and a complete financial management system. We have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. We have access to independent third party financing and are capable of obtaining such financing without the need to rely on any guarantee or security provided by our Controlling Shareholders or their respective close associates.

During the Track Record Period, certain of our subsidiaries had either made advances to or received temporary funding from (i) members of the Wong's Family and companies controlled by them; or (ii) associate and joint venture of our Group; or (iii) minority shareholders of our subsidiaries. Save as disclosed, such advances and funding are interest free, unsecured, repayable on demand and will be settled prior to Listing. Our Directors (including our independent non-executive Directors) are of the view that these related party transactions were conducted on normal commercial terms and/or arm's length basis, and that their terms were fair, reasonable and in the interests of the Shareholders as a whole. For further details of such related parties transactions, please refer to the paragraph headed "Related party transactions" in the section headed "Financial information" in this prospectus.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

OVERVIEW AND CONNECTED PERSONS

We have entered into certain continuing agreements with connected persons. Upon Listing, the transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

Mr. TC Wong is our Chairman, non-executive Director and one of our Controlling Shareholders who are individually and collectively interested in 75% of the total issued share capital of our Company by virtue of their beneficial interest in the Happy Family Trust upon completion of the Global Offering. Under Rules 14A.07(1) and 14A.07(4) of the Listing Rules, Mr. TC Wong and his associates are our connected persons.

Happy Family Trust is established by Mr. TC Wong as the settlor for the benefit of the Wong's Family. It is indirectly interested in 75% of the total issued share capital of our Company.

Mr. Liu Weito holds a 24.5% interest in our subsidiary, Huizhou Million Cities, upon completion of the Global Offering. Man Wah Investments Limited wholly owns Brightwood Management Limited, which in turn holds a 45% interest in our subsidiary, China Lands Investments Limited, upon completion of the Global Offering. Under Rule 14A.06(9) of the Listing Rules, each of Mr. Liu Weito, Brightwood Management Limited and Man Wah Investments Limited is our connected person at the subsidiary level. Mr. Liu Weito, Man Wah Investments Limited and their respective associates are our connected persons under Rules 14A.07(1) and 14A.07(4) of the Listing Rules.

Ms. Fan Yuanxin is the spouse of Mr. Liu Weito, our connected person at the subsidiary level. Ms. Fan Yuanxin is our connected person under Rules 14A.07(1) and 14A.07(4) of the Listing Rules.

Man Wah (Zhumadian) Limited indirectly holds a 30% interest in Henan Julong upon completion of the Global Offering. Man Wah (Zhumadian) Limited is a wholly-owned subsidiary of Man Wah Investments Limited, our connected person at the subsidiary level. Therefore, Henan Julong is our connected person under Rules 14A.07(1), 14A.07(4), 14A.13(1) and 14A.13(3) of the Listing Rules.

The table below sets out the parties who are our connected persons with whom we will carry out transactions on a continuing basis after Listing, as well as the nature of their connection with our Group:

Name	Connected relationship as at the Latest Practicable Date
Huizhou Crowne Hotel *(Note 1)*	Huizhou Crowne Hotel is a branch company wholly owned by Huizhou Gangsheng, which is, in turn, owned as to 99.5% by Kong Sing (H.K.) Limited and as to 0.5% by Huizhou Yuefu, respectively. Kong Sing (H.K.) Limited is indirectly wholly owned by Happy Family Trust
Huizhou Nanxuan Knitting Factory Limited (惠州南旋毛織廠有限公司) ("**Huizhou Nanxuan Knitting**")	Huizhou Nanxuan Knitting is a company indirectly owned as to 65.81% by Happy Family Trust and as to 8.84% by Mr. TC Wong, respectively
Huizhou Lixin Science and Technology Company Limited (惠州立信科技有限公司) ("**Huizhou Lixin**")	Huizhou Lixin is a company indirectly wholly owned by Ms. Teresa Wong, daughter of Mr. TC Wong
Mr. Liu Weito	Mr. Liu Weito holds a 24.5% interest in our subsidiary, Huizhou Million Cities, upon completion of the Global Offering
Ms. Fan Yuanxin	Ms. Fan Yuanxin is the spouse of Mr. Liu Weito, our connected person at the subsidiary level
Man Wah Investments Limited	Man Wah Investments Limited indirectly holds a 45% interest in our subsidiary, China Lands Investments Limited through Brightwood Management Limited (顯駿管理有限公司)
Henan Julong	Man Wah (Zhumadian) Limited indirectly holds a 30% interest in Henan Julong upon completion of the Global Offering. Man Wah (Zhumadian) Limited is the wholly-owned subsidiary of Man Wah Investments Limited, our connected person at the subsidiary level

Note 1: In order to ensure clear delineation of our corporate structure, Huizhou Crowne Hotel is one of our Group's Excluded Businesses (as defined in the section headed "Relationship with our Controlling Shareholders" in this prospectus) for the purpose of Listing. For details, please refer to the paragraph headed "Excluded Businesses" under the section headed "Relationship with our Controlling Shareholders" in this prospectus.

Accordingly, the continuing transactions entered into between (i) each of the connected persons listed above; and (ii) our Group will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Listing, the transactions set out below will constitute exempt continuing connected transactions of our Group for the purpose of Chapter 14A of the Listing Rules.

Hotel services

On 28 June 2018, we entered into a master hotel service agreement with Huizhou Crowne Hotel (the "**Master Hotel Service Agreement**"), details of which are set forth below.

- **Parties:** Huizhou Crowne Hotel as the hotel service provider, and our Company (on behalf of its subsidiaries) as the recipient of the hotel services.

- **Nature of the transaction:** We have agreed to engage Huizhou Crowne Hotel to provide hotel accommodation and facility services to our Group.

- **Reasons for the transaction**: As we have bulk purchased accommodation and facility services from Huizhou Crowne Hotel for years, Huizhou Crowne Hotel has agreed to provide hotel accommodation and facility services to us at discounts to the retail prices charged to other customers. The rates for such services offered by Huizhou Crowne Hotel to us are also competitive compared with those offered by independent third parties. Additionally, Huizhou Crowne Hotel is located in a place close to our Huizhou headquarters, which shortens the commute time for our employees who are on business trip in Huizhou in Guangdong Province and guests to visit our Huizhou headquarters. As such, our Directors are of the view that it is beneficial to our Group to engage Huizhou Crowne Hotel to provide the hotel accommodation and facility services.

- **Major terms:** The major terms of the Master Hotel Services Agreement are as follows:

Term	One year, commencing on 28 June 2018 and ending on 27 June 2019 (the "**Term**"), which will be automatically renewed for one year if the parties have not raised any objections thereto upon expiry of the Term

Subject matter	Huizhou Crowne Hotel has agreed to provide hotel accommodation services and rent banquet halls and conference rooms to us at pre-determined discounts to the retail prices charged to other customers. The discounts vary depending on the types and sizes of hotel rooms, banquet halls and conference rooms, and are subject to adjustments to be made by Huizhou Crowne Hotel at its sole discretion The above discounts do not apply to bulk rent by us of 10 hotel rooms or more, in which case the prices of such bulk rent shall be determined by the parties with reference to the number of guests and the types of services requested
Maximum transaction amount	RMB1.2 million
Settlement of fees and rentals	The hotel accommodation fees and rentals for banquet halls and conference rooms are settled on a monthly basis
Termination	Each party may terminate the Master Hotel Service Agreement by serving not less than two months' written notice

- **Pricing policy:** The rates under the Master Hotel Service Agreement have been determined after arm's length negotiations between the relevant parties with reference to the prevailing market rates of local hotels in the neighbourhood with a similar scale and quality and after taking into account a discount, and are subject to our internal control measures such as going through internal review and approval procedures. For new or renewal of individual hotel service agreement between Huizhou Crowne Hotel and our subsidiary under the Master Hotel Service Agreement, our Group will request independent third party travel agency to provide quotations of three or more similar comparable hotels owned by independent third parties in the neighbouring area. Our Group will compare such information to decide whether the quotation offered by Huizhou Crowne Hotel is no less favourable than those given by the independent third party travel agency and whether the terms are fair and reasonable.

- **Historical transaction values and annual caps:** The historical values of the above transaction were approximately RMB1,037,000, RMB375,000, RMB763,000 and RMB546,000 for the three years ended 31 December 2017 and for the six months ended 30 June 2018, respectively.

On the basis that the Master Hotel Service Agreement will be automatically renewed for one year upon expiry of the Term, our Directors estimate that the maximum transaction amount under the Master Hotel Service Agreement will not exceed RMB600,000, RMB1,200,000 and RMB600,000 for the six months ending 31 December 2018, the year ending 31 December 2019 and the six months ending 30 June 2020, respectively. No increment will be imposed for the maximum transaction amount for the year ending 31 December 2019 and the six months ending 30 June 2020, as the same rental applies throughout the Term and the renewed term.

In determining the above annual caps, our Directors have considered the following factors:

(i) the historical amount of the hotel services purchased by our Group from Huizhou Crowne Hotel during the Track Record Period; and

(ii) the prevailing market price for such hotel services for corporate entities in the local market as well as the projected guest numbers of Huizhou Crowne Hotel during the relevant period.

Lease of office premises

On 1 June 2018, we entered into a tenancy agreement for the leasing of certain office premises located in Huizhou, Guangdong Province, PRC (the "**Tenancy Agreement I**"), which will expire on 30 June 2019. To plan ahead for our future use of office premises in Huizhou after the expiry of the Tenancy Agreement I, on 1 June 2018, we entered into another tenancy agreement, which is by nature a pre-lease, in respect of certain office premises located in Huizhou (the "**Tenancy Agreement II**", together with the Tenancy Agreement I, the "**Tenancy Agreements**").

Details the Tenancy Agreements are set out below:

- **Parties:** (i) Tenancy Agreement I: Huizhou Nanxuan Knitting as lessor and Million Cities WFOE as lessee; (ii) Tenancy Agreement II: Huizhou Lixin as lessor and Million Cities WFOE as lessee.

- **Nature of the transaction:** We have agreed to lease (i) Tenancy Agreement I: office premises situated at 6/F., Office Building, Nameson Industrial Centre, Huize Avenue, Shuikou, Huicheng District, Huizhou, Guangdong Province, the PRC with a total floor area of 458.03 sq.m. ("**Huizhou Property I**"); and (ii) Tenancy Agreement II: office premises situated at 11/F., No. 2 Factory Building, Bao Li Xin Technology Park (Phase I), Lychee City Industrial Zone, Shuikou Sub-district Office, Huicheng District, Huizhou, Guangdong Province, the PRC with a total floor area of 3,594.00 sq.m. ("**Huizhou Property II**" together with Huizhou Property I, the "**Huizhou Properties**"), in each case for office use.

We have decided to lease Huizhou Property II as office premises with a substantially greater gross floor area than Huizhou Property I after taking into account factors such as our potential growth and provision of better working conditions to our employees.

- **Reasons for the transaction**: We do not own properties for office use in Huizhou except that our subsidiary, Huizhou Hanji owns certain office premises with a gross floor area of 267.1 sq.m.. The Huizhou Properties are located in well-developed regions of Huizhou and allow our employees access to the convenient transportation and other facilities in the surrounding areas. Additionally, the rentals payable by us for the leasing of the Huizhou Properties are competitive compared with those offered by independent third parties. As such, our Directors are of the view that it is beneficial to our Group to enter into the Tenancy Agreements.

- **Major terms:** The major terms of the Tenancy Agreements are as follows:

	Tenancy Agreement I	**Tenancy Agreement II**
Term	One year, commencing on 1 July 2018 and ending on 30 June 2019	Three years, commencing on 1 July 2019 and ending on 30 June 2022
Rental	A monthly rental of RMB5,954.39	A monthly rental of RMB46,722.00
Payment of rental	Payable on a monthly basis	Payable on a monthly basis
Rental-free period	N/A	Six months, from 1 July 2019 to 31 December 2019
Security deposit	Nil	Nil
Property management fee	The rental is inclusive of property management fee	The rental is inclusive of property management fee

	Tenancy Agreement I	Tenancy Agreement II
Renewal	Million Cities WFOE shall serve one month's prior notice to Huizhou Nanxuan Knitting if it intends to renew the lease, and Huizhou Nanxuan Knitting shall confirm whether to renew the lease within seven days upon receipt of the notice. Million Cities WFOE has the priority to lease Huizhou Property I under the same conditions	Million Cities WFOE shall serve one month's prior notice to Huizhou Lixin if it intends to renew the lease, and Huizhou Lixin shall confirm whether to renew the lease within seven days upon receipt of the notice. Million Cities WFOE has the priority to lease Huizhou Property II under the same conditions

- **Pricing policy:** The rental under the Tenancy Agreements payable by our Group has been determined after arm's length negotiations between the relevant parties with reference to the prevailing market rentals of similar office premises in the neighbourhood based on available property rental market comparables, and are subject to our internal control measures such as going through internal review and approval procedures.

  The monthly rental payable under the Tenancy Agreements has been determined based on the gross floor areas of the Huizhou Properties and a monthly rental of RMB13 per sq.m.. The monthly rental payable applies to the entire term of the leases and no annual increment is imposed, which the Directors consider are beneficial to our Group.

- **Aggregation of transaction values and annual caps:** Given the transactions under the Tenancy Agreement I and Tenancy Agreement II, being the leasing of office premises by Huizhou Nanxuan Knitting and Huizhou Lixin to our subsidiary Million Cities WFOE, are of a similar nature, such transactions shall be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules.

  Our Directors estimate that the maximum transaction amount under the Tenancy Agreements, in aggregate will not exceed RMB36,000, RMB317,000 and RMB561,000 for the three years ending 31 December 2020, respectively. For the year ending 31 December 2021 and the six months ending 30 June 2022, the maximum transaction amount under Tenancy Agreement II will not exceed RMB561,000 and RMB281,000, respectively. Such estimates are based on the fixed monthly rentals payable under the Tenancy Agreements.

In determining the above annual caps, our Directors have considered the prevailing market rates for the leasing of such office premises in the local market as well as the lease terms.

- **Historical transaction value:** There was no historical transaction amount for the three years ended 31 December 2017 and the six months ended 30 June 2018.

Financial assistance

During the Track Record Period, (i) Mr. Liu Weito and his spouse, Ms. Fan Yuanxin, had provided shareholder's loans to, among others, Huizhou Million Cities and Huizhou Cheer Happy for the purpose of development projects operated by these subsidiaries of us; and (ii) Man Wah Investments Limited had provided a shareholder's loan to China Lands Investments Limited for the purpose of development projects operated by China Lands Investments Limited. The aggregate amount due to Mr. Liu Weito and Ms. Fan Yuanxin and the amount due to Man Wah Investments Limited do not carry any interest, and it is expected that the amounts due will be fully settled according to the time frame described below.

During the Track Record Period, Million Cities WFOE had provided a loan to Henan Julong for the purpose of development projects operated by Henan Julong. The amount due from Henan Julong does not carry any interest, and it is expected that the amount due from Henan Julong will be fully settled according to the time frame described below.

Loan from Mr. Liu Weito and Ms. Fan Yuanxin

On 30 November 2018, Mr. Liu Weito and Ms. Fan Yuanxin entered into a loan agreement with, among others, Huizhou Million Cities and Huizhou Cheer Happy ("**Loan Agreement I**"), pursuant to which the parties have agreed that the amounts due to Mr. Liu Weito and Ms. Fan Yuanxin from, among others, Huizhou Million Cities and Huizhou Cheer Happy, respectively, shall be non-interest bearing loan and repayable upon completion of the existing development projects of, among others, Huizhou Million Cities and Huizhou Cheer Happy, respectively. As of 30 June 2018, the aggregate amount of the loan from Mr. Liu Weito and Ms. Fan Yuanxin was approximately RMB124,801,000.

As of 31 December 2015, 2016, 2017 and 30 June 2018, the aggregate amount due to Mr. Liu Weito and Ms. Fan Yuanxin was approximately RMB30,660,000, RMB79,545,000, RMB129,964,000 and RMB124,801,000, respectively.

Given that the loans from Mr. Liu Weito and Ms. Fan Yuanxin are non-interest bearing and no collateral has been secured for such loans, our Directors consider that the Loan Agreement I has been entered into on normal commercial terms or better and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Loan from Man Wah Investments Limited

On 30 November 2018, Man Wah Investments Limited entered into a loan agreement with China Lands Investments Limited ("**Loan Agreement II**"), pursuant to which the parties have agreed that the amount due to Man Wah Investments Limited shall be non-interest bearing loan and repayable by China Lands Investments Limited upon completion of the existing development projects of Tianjin Jianji, subsidiary of China Lands Investments Limited. As of 30 June 2018, the amount of the loan from Man Wah Investments Limited was approximately RMB215,227,000.

As of 31 December 2015, 2016, 2017 and 30 June 2018, the aggregate amount due to Man Wah Investments Limited was approximately RMB185,598,000, RMB228,348,000, RMB213,389,000 and RMB215,227,000, respectively.

Given that the loan from Man Wah Investments Limited is non-interest bearing and no collateral has been secured for such loan, our Directors consider that the Loan Agreement II has been entered into on normal commercial terms or better and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Loan to Henan Julong

On 30 November 2018, Million Cities WFOE entered into a loan agreement with Henan Julong ("**Loan Agreement III**", together with the Loan Agreement I and Loan Agreement II, the "**Loan Agreements**"), pursuant to which the parties have agreed that the amount due from Henan Julong shall be non-interest bearing loan and repayable by Henan Julong upon completion of the existing development projects of Henan Julong. As of 30 June 2018, the amount of the loan to Henan Julong was approximately RMB87,000,000.

As of 31 December 2015, 2016, 2017 and 30 June 2018, the amount due from Henan Julong was nil, nil, approximately RMB87,000,000 and approximately RMB87,000,000, respectively.

The loan to Henan Julong is non-interest bearing and no collateral has been secured for such loan. Our Directors consider that the Loan Agreement III has been entered into on normal commercial terms, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Since each of the percentage ratios (other than profit ratios) for the transactions under each of the Master Hotel Service Agreement and the Tenancy Agreements is less than 5% on an annual basis and each of the annual cap is less than HK$3,000,000, the transactions under each of the Master Hotel Service Agreement and the Tenancy Agreements are exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

As the loans provided by Mr. Liu Weito, Ms. Fan Yuanxin and Man Wah Investments Limited under Loan Agreement I and Loan Agreement II are for the benefit of our Group on normal commercial terms or better, and no security over the assets of our Group was granted in respect of the loans, the transactions under the Loan Agreement I and Loan Agreement II are exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As the loan provided to Henan Julong under the Loan Agreement III is of capital contribution nature proportionate to our equity interests in Henan Julong as well as on normal commercial terms, the transaction under the Loan Agreement III is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.89 of the Listing Rules.

SOLE SPONSOR'S AND DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) are of the view and the Sole Sponsor concurs that (i) the continuing connected transactions in respect of the Master Hotel Service Agreement and the Tenancy Agreements have been entered into, and will continue to be, in the ordinary and usual course of business of our Group, on normal commercial terms or better, are fair and reasonable and in the interests of our Company and the Shareholders as a whole; (ii) the continuing connected transactions in respect of the Loan Agreements have been entered into, and will continue to be, on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Our Directors (including our independent non-executive Directors) and the Sole Sponsor are also of the view that each of the proposed annual caps in respect of, and the terms of, the continuing connected transactions under the Master Hotel Service Agreement and the Tenancy Agreements, as well as the terms of the continuing connected transactions under the Loan Agreements, are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

COMPLIANCE WITH THE LISTING RULES

If the material terms of each of the Master Hotel Service Agreement, the Tenancy Agreements and the Loan Agreements are altered to the extent that the transaction thereunder is no longer an exempt continuing connected transaction or if our Company enters into any new agreements or arrangements with any connected persons in the future under which the aggregate consideration paid or payable by us exceeds the limits for exempt continuing connected transactions referred to in the Listing Rules, our Company will comply with the relevant requirements of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the date of this prospectus on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

DIRECTORS

Upon Listing, our Board will consist of eight Directors, comprising one non-executive Director, four executive Directors and three independent non-executive Directors. The following table sets out certain information about our Directors:

Name	Age	Position	Key roles	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Mr. Wong Ting Chung *BBS, JP* (王庭聰先生)	57	Non-executive Director, Chairman of our Board, member of our nomination committee and member of our remuneration committee	Overall strategic planning and business direction	8 April 2003	15 November 2016	Brother-in-law of Mr. Lau Ka Keung and cousin of Mr. Lin Guoxian
Mr. Lau Ka Keung *MH, JP* (樓家強先生)	43	Executive Director and Chief Executive Officer of our Group	Execution of strategic planning and responsible for general management of our Group	2 January 2006	15 November 2016	Brother-in-law of Mr. Wong Ting Chung
Mr. Wong Ka Lun (黃家倫先生)	51	Executive Director and Chief Operating Officer of our Group	Overseeing general operation and administration of our Group	5 February 2018	19 June 2018	None
Ms. Lau Pui Kwan (劉佩君女士)	37	Executive Director, Finance Director and Company Secretary of our Group	Overseeing financial management and formulating financial strategies of our Group	10 July 2017	19 June 2018	None
Mr. Lin Guoxian (林國賢先生)	51	Executive Director	Responsible for overseeing the construction and management of some development projects of our Group	1 July 2009	19 June 2018	Cousin of Mr. Wong Ting Chung
Mr. Ip Shu Kwan, Stephen *GBS, JP* (葉澍堃先生)	67	Independent non-executive Director, chairman of our nomination committee and a member of our audit committee	Providing independent opinion and judgment to our Board	19 June 2018	19 June 2018	None
Mr. Li Yinquan (李引泉先生)	63	Independent non-executive Director, chairman of our audit committee and a member of our remuneration committee	Providing independent opinion and judgment to our Board	19 June 2018	19 June 2018	None
Dr. Wu Wing Kuen *BBS* (胡永權博士)	61	Independent non-executive Director, chairman of our remuneration committee, a member of our nomination committee and a member of our audit committee	Providing independent opinion and judgment to our Board	19 June 2018	19 June 2018	None

Chairman and non-executive Director

Mr. Wong Ting Chung (王庭聰), *BBS, JP*, aged 57, is our non-executive Director, chairman of our Board, member of our nomination committee and member of our remuneration committee of our Company. Mr. Wong is the founder of our Group, and is primarily responsible for the overall strategic planning and business direction of our Group.

Mr. Wong has over 15 years of experience in property investment, property development and management. He established his business through Huizhou China Field, a project company engaged in the construction and sale of high quality residential complexes, in 2003 and was responsible for overall management of the company. Currently, Mr. Wong assumes various directorships in the Nameson Group, where he has been serving as the chief executive officer and the chairman of the board of directors of Nameson Holdings Limited since August 2015.

Mr. Wong graduated from Hong Kong Yee Tong Ye College (香港易通夜中學) in 1978. Mr. Wong is currently a delegate of the Hong Kong Special Administrative Region to the National People's Congress of the PRC (全國人民代表大會香港區代表) and the chairman of Hong Kong Industrial and Commercial Association General Chamber Executive Committee (香港工商總會會董會執行委員會).

Executive Directors

Mr. Lau Ka Keung (樓家強), *MH, JP*, aged 43, is our executive Director and the Chief Executive Officer of our Company. Mr. Lau is responsible for execution of strategic planning and general management of our Group.

Mr. Lau has served as an executive Director and chief executive officer of Million Cities Development Limited since August 2016. From January 2006, Mr. Lau has assumed various directorships in our Group, including China Lands Investments Limited, Join Kong, Cheer Happy, Huizhou Cheer Happy, Huizhou China Field and Tianjin Jianji. Prior to joining our Group, Mr. Lau held several positions in the Nameson Group from August 1999 to March 2013, including information technology manager, vice president, and executive director. From August 2015 to April 2018, Mr. George Lau served as a non-executive director in Nameson.

Mr. Lau received his bachelor's degree in information technology from Manchester Metropolitan University, the United Kingdom in July 1997 and obtained his master's degree in business administration from University of Leicester, the United Kingdom in July 2008. Mr. Lau has served as national committee member of the 13th Chinese People Political Consultative Conference in China (中國人民政治協商會議第十三屆全國委員會), executive committee member of the 14th Tianjin Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議天津市第十四屆常務委員會) and Vice Chairman of Tianjin Federation of Industry and Commerce (天津市工商業聯合會). Mr. Lau is also an executive member of the 13th of All China Youth Federation (中華全國青年聯合會第十三屆常務委員會委員).

Mr. Wong Ka Lun (黃家倫), aged 51, is an executive Director and the Chief Operating Officer of our Group. Mr. Wong is primarily responsible for overseeing general operation and administration of our Group.

Mr. Wong has over 25 years of experience in sales of marketing planning, property investment, and operation management in property industry. Mr. Wong joined Million Cities Development Limited as chief operating officer since February 2018. Prior to that, Mr. Wong held various managerial positions in several Hong Kong listed property companies, including Hutchison Whampoa Limited (a company previously listed on the Main Board of the Stock Exchange (stock code: 0013) which was privatised on 3 June 2015), SEA Group (stock code: 0251)) and Soundwill Holdings Limited (stock code: 0878)), where he was responsible for property sales and marketing.

Mr. Wong obtained a diploma in property development with distinction from the School of Professional and Continuing Education of the University of Hong Kong in April 1995, a postgraduate diploma in surveying (real estate development) from the University of Hong Kong in October 2002, and a master's degree of science in real estate from the University of Hong Kong in November 2007.

Ms. Lau Pui Kwan (劉佩君), aged 37, is an executive Director, finance director and company secretary of our Group. Ms. Lau is responsible for overseeing financial management and formulating financial strategies of our Group.

Ms. Lau has over 12 years of experience in corporate accounting and financing, audit and company secretarial practices. Ms. Lau joined Million Cities Development Limited as Financial Controller since July 2017, where she is responsible for the finance and accounting operations. Prior to joining our Group, Ms. Lau held managerial positions in several Hong Kong listed companies, including CSI Properties Limited (stock code: 0497) from July 2016 to July 2017, Hsin Chong Construction Group Limited (stock code: 0404) from June 2014 to April 2016 and Doyen International Holdings Limited (formerly known as Dowell Property Holding Limited (stock code: 0668)) from August 2010 to June 2014.

Ms. Lau obtained her bachelor's degree in business administration from Chinese University of Hong Kong in December 2005 and was admitted as associate member of the Hong Kong Institute of Certified Public Accountants in February 2011. Ms. Lau has been an associate member of the Hong Kong Institute of Chartered Secretaries and Administrators since February 2016.

Mr. Lin Guoxian (林國賢), aged 51, is an executive Director. Mr. Lin is responsible for overseeing the construction and management of some development projects of our Group.

Mr. Lin has over 17 years of experience in construction and property management in real estate industry. Mr. Lin has overseen and managed various development projects owned by Mr. TC Wong since July 2009, including Huizhou Crowne Hotel, Sunshine New Court and Crown Grand Court. Prior to that, Mr. Lin was also in charge of several construction projects including factories of Huizhou Lixin and Jinjiazhuang (Huizhou) Health Food Co., Ltd. (勁家莊(惠州)健康食品有限公司).

Independent non-executive Directors

Mr. Ip Shu Kwan, Stephen (葉澍堃) *GBS, JP*, aged 67, is our independent non-executive Director, chairman of our nomination committee and a member of our audit committee. Mr. Ip is responsible for providing independent opinion and judgment to our Board.

Mr. Ip is currently serving as independent non-executive director of five companies listed on the Main Board of the Stock Exchange, namely China Resources Cement Holdings Limited (stock code: 1313) since August 2008, Lai Sun Development Company Limited (stock code: 488) since December 2009, Kingboard Laminates Holdings Limited (stock code: 1888) since May 2011, Luk Fook Holdings (International) Limited (stock code: 590) since October 2011 and Nameson Holdings Limited (stock code: 1982) since April 2018. Mr. Ip also served as independent non-executive director of Synergis Holdings Limited (stock code: 2340) from September 2008 to December 2017. From November 1973 to July 2007, Mr. Ip held various positions in The Government of the Hong Kong Special Administrative Region, such as Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services and Secretary for Economic Development and Labour.

Mr. Ip graduated from the University of Hong Kong with a bachelor's degree in social sciences in September 1973, and he subsequently completed the program for management development at Harvard University Graduate School of Business Administration in November 1986.

Mr. Ip received the Gold Bauhinia Star award from The Government of the Hong Kong Special Administrative Region in 2001 and he was appointed as an unofficial Justice of the Peace in July 2007.

Mr. Li Yinquan (李引泉), aged 63, is our independent non-executive Director, chairman of our audit committee and a member of our remuneration committee. Mr. Li is responsible for providing independent opinion and judgment to our Board.

Mr. Li has extensive experience in financial management. He served as executive director of China Merchants Port Holdings Company Limited (formerly known as China Merchants Holdings (International) Company Limited) (a company listed on the Main Board of the Stock Exchange (stock code: 144)) from June 2001 to March 2015 and as non-executive director of China Merchants Bank Co., Ltd. (a company listed on the Main Board of the Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036)) from April 2001 to June 2016. Mr. Li was an executive director of China Merchants China Direct Investments Limited (a company listed on the Main Board of the Stock Exchange (stock code: 133)) from July 2008 to April 2017. He has also been serving as independent non-executive director of Universal Medical Financial and Technical Advisory Services Company Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2666)) since June 2015.

Throughout the significant years of employment with certain Hong Kong listed companies, Mr. Li has performed duties including supervising on the listed companies' financial management, involved in various types of transactions in relation to the Listing Rules and reviewing and analysing audited financial statements of the listed companies. Mr. Li has gained relevant experience in, including but not limited to, (i) review and preparation of comparable and/or audited financial statements of Hong Kong listed companies; (ii) review of internal control systems; and (iii) analysis of financial statements and information of Hong Kong listed companies. Moreover, Mr. Li has also obtained vast experience in collaborating and dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements.

Mr. Li received his bachelor's degree in economics from Shaanxi Institute of Finance and Economics (陝西財經學院) in July 1983. He subsequently obtained his master's degree in economics from the PBC School of Finance, Tsinghua University (清華大學五道口金融學院) (formerly known as Graduate School of the People's Bank of China (中國人民銀行總行金融研究所)) in July 1986. In October 1988, Mr. Li obtained his master's degree in banking and finance for development from Finafrica Institute in Milan, Italy. In August 1989, he was accredited as senior economist by the Appraisal and Approval Committee for Professional & Technical Qualification of the Agricultural Bank of China.

Dr. Wu Wing Kuen (胡永權), *BBS*, aged 61, is our independent non-executive Director, chairman of our remuneration committee, a member of our nomination committee and a member of our audit committee. Dr. Wu is responsible for providing independent opinion and judgment to our Board.

Dr. Wu has over 25 years of experience in real estate investment. He has been serving as director of Jet View Investment Limited since December 1991 and as director of Jade Mind Investment Limited since October 2004. Both companies are principally engaged in real estate investments. Dr. Wu has also been serving as independent non-executive director of Nanfang Communication Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1617)) since November 2016. Dr. Wu has also served as independent non-executive director of the HongGuang Lighting Holdings Company Limited (a company listed on the GEM of the Stock Exchange (stock code: 8343)) since December 2016.

Dr. Wu obtained his doctoral degree in business administration from the Clayton University in the United States in June 1989.

Dr. Wu was awarded the Bronze Bauhinia Star by The Government of the Hong Kong Special Administrative Region in July 2012. Dr. Wu is currently a voting member of the Hong Kong Jockey Club and president of the Sha Tin District Community Fund. Dr. Wu had also served the community under various other positions in the past. He is a member of the Appeal Tribunals Panel of the Planning and Lands Branch of the Development Bureau of The Government of the Hong Kong Special Administrative Region.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Each of our Directors confirms that (1) he/she did not hold any other positions or short positions in the Shares, underlying Shares, debentures of our Company and/or any associated corporation (with the meaning of Part XV of the SFO) as at the Latest Practicable Date; (2) he/she had no other relationship with any Directors, senior management and/or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; (3) he/she did not hold any directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's appointments that need to be bought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules. For further details, please refer to the paragraph headed "C. Further information about our Directors and Substantial Shareholders" in Appendix V to this prospectus.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The senior management team of our Group is as follows:

Name	Age	Position	Key role	Date of joining our Group
Lau Ka Keung *MH, JP* (樓家強)	43	Executive Director and Chief Executive Officer of our Company	Responsible for execution of strategic planning and overseeing general management of our Group	January 2006
Wong Ka Lun (黃家倫)	51	Executive Director and Chief Operating Officer of our Company	Responsible for overseeing general operation and administration of our Group	February 2018
Lau Pui Kwan (劉佩君)	37	Executive Director, Finance Director and Company Secretary of our Group	Responsible for overseeing financial management of our Group and formulating financial strategies	July 2017
Lu Bingqian (盧秉乾)	44	General Manager of Tianjin Jianji Project	Responsible for overall management and operation of Tianjin Jianji	August 2007

Name	Age	Position	Key role	Date of joining our Group
Chen Junbin (陳俊斌)	43	Director of Project Development	Responsible for land development, project feasibility studies and pre-development coordination	October 2016
Cheng Tiandong (程天冬)	38	Director of Cost Management	Responsible for project cost management, contract management and procurement management	January 2009
Quan Jianxu (權建許)	37	Director of Human Resources and Administration	Responsible for human resources, administration, corporate culture management and government relations	August 2016
Huang Daode (黃道德)	47	Director of Design	Responsible for product research and design management of property development projects	December 2016
Xiong Weiying (熊偉英)	39	Deputy Director of Finance	Responsible for financial and accounting management	April 2017

For biographical details of Mr. George Lau (樓家強), Mr. Wong Ka Lun (黃家倫) and Ms. Lau Pui Kwan (劉佩君), please refer to the sub-paragraph headed "Executive Directors" under the paragraph headed "Directors" in this section.

Mr. Lu Bingqian (盧秉乾), aged 44, is the General Manager of Tianjin Jianji of our Group. Mr. Lu is responsible for the overall management and operation of our Tianjin Jianji.

Mr. Lu has over 11 years of experience in real estate engineering construction. Mr. Lu joined our Group in August 2007. From August 2007 to March 2013, he worked as finance manager in Huizhou Cheer Happy, where he was responsible for financial and marketing management. Since May 2016, Mr. Lu has served as the general manager of Tianjin Jianjin, where he is responsible for the overall management of Tianjin Jianji.

Mr. Chen Junbin (陳俊斌), aged 43, is the Director of Project Development of our Group. Mr. Chen is mainly responsible for land development, project feasibility studies and pre-development coordination.

Mr. Chen has over 14 years of experience in project investment. Mr. Chen joined our Group in October 2016. Prior to joining our Group, from July 1998 to October 2012, Mr. Chen served as a marketing director and deputy general manager of COSCO Guangzhou Construction Industry Co. (廣州遠洋建設實業公司), where he was responsible for project management.

Mr. Chen received his bachelor's degree in investment and economics from Guangdong Business School (廣東商學院) (renamed as Guangdong University of Finance & Economics in 2013) in June 1998. Mr. Chen was accredited as a real estate economist by the Ministry of Personnel (中國人事部) of the PRC in November 2002.

Mr. Cheng Tiandong (程天冬), aged 38, is the Director of Cost Management of our Group. Mr. Cheng is responsible for project cost management, contract management and procurement management.

Mr. Cheng has over 9 years of experience in construction management and has been responsible for cost management and measurement. Mr. Cheng joined our Group in January 2009 as the supervisor of Cost Management and was responsible for project pre-settlement. He was subsequently promoted to the Director of Cost Management in October 2017.

Mr. Cheng received his bachelor's degree in civil engineering from Northwest A&F University (西北農林科技大學) in July 2004.

Mr. Quan Jianxu (權建許), aged 37, is the Director of Human Resources and Administration of our Group. Mr. Quan is responsible for human resources management, administration, corporate culture management and government relations.

Mr. Quan has over 9 years of experience in human resources and administrative management and he has been responsible for human resource affairs and administrative operations. Mr. Quan joined our Group in August 2016. Prior to that, from June 2009 to May 2016, Mr. Quan served as the manager of human resources department of Huizhou Huipeng Real Estate Development Co., Ltd. (惠州惠鵬房地產開發有限公司), and was subsequently promoted to the human resources and administrative director in November 2010.

Mr. Quan received his bachelor's degree in business administration from Xi'an University of Technology (西安理工大學) in June 2009. In November 2009, Mr. Quan was recognised as human resources manager by the Ministry of Human Resources and Social Security of the PRC. In January 2014, he was accredited the title of intermediate economist in business administration by the Ministry of Human Resources and Social Security (人力資源和社會保障部) of the PRC.

Mr. Huang Daode (黃道德), aged 47, is the Director of Design of our Group. Mr. Huang is responsible for product research and design management of our property development projects.

Mr. Huang has over 14 years of experience in project design management. Mr. Huang joined our Group in December 2016. Prior to that, from May 2011 to May 2016, Mr. Huang also worked as chief architect and project manager of Shenzhen Huayang International Engineering Design Co., Ltd. (深圳市華陽國際工程設計股份有限公司), where he was responsible for project management. From March 2003 to May 2011, Mr. Huang served as chief architect and project handler of Shenzhen Urbanspace Planning and Architectural Design Co., Ltd. (深圳都市空間設計顧問有限公司). From May 1997 to February 2003, Mr. Huang served as an architect of Shenzhen Huasen Architectural & Engineering Designing Consultants Ltd. (深圳華森建築與工程設計顧問有限公司).

Mr. Huang obtained his college diploma in real estate economics and administration from Huazhong Normal University (華中師範大學) in June 1993, and he received his bachelor's degree in civil engineering from Northwestern Polytechnical University (西北工業大學) in July 2016 by distant learning.

Ms. Xiong Weiying (熊偉英), aged 39, is the Deputy Director of Finance of our Group. Ms. Xiong is responsible for financial and accounting management.

Ms. Xiong has more than 7 years of experience in accounting and financial management. Ms. Xiong joined our Group in April 2017. Prior to that, Ms. Xiong served as a financial manager of Huizhou Longchen Industrial Co., Ltd. (惠州市龍宸實業有限公司) from October 2013 to January 2017. From April 2011 to October 2013, Ms. Xiong served as financial manager of Huizhou Huaji Investment Co., Ltd. (惠州市華基投資有限公司).

Ms. Xiong received her college diploma in asset assessment from Harbin Engineering College (哈爾濱工程高等專科學校) (merged with Heilongjiang Communications College in March 2000 to establish Heilongjiang Institute of Technology) in July 2000. In February 2012, Ms. Xiong was admitted as a certified public accountant by the Certified Public Accountants Association of Jiangxi Province. In May 2009, Ms. Xiong was admitted as a certified tax agent by the Shenzhen Certified Tax Agent Management Center.

COMPANY SECRETARY

Ms. Lau Pui Kwan (劉佩君) is the company secretary of our Company. Details of her qualifications and experience are set out in the sub-paragraph headed "Executive Directors" under the paragraph headed "Directors" above in this section.

BOARD COMMITTEES

We have established the following committees within our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board and Rule 3.21 and Rule 3.25 of the Listing Rules.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the paragraph C.3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our audit committee consists of three members, namely, Mr. Li Yinquan, Dr. Wu Wing Kuen and Mr. Ip Shu Kwan, Stephen, with appropriate accounting and financial management expertise, and Mr. Li Yinquan is the chairman of the committee. The primary duties of our audit committee are to provide oversight of the financial reporting process, the audit process, the mechanism of internal control and compliance with laws and regulations and perform further duties and responsibilities as assigned by our Board from time to time.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our remuneration committee consists of three members, namely, Dr. Wu Wing Kuen, Mr. Li Yinquan and Mr. TC Wong. Dr. Wu Wing Kuen is the chairman of the committee. The primary duties of our remuneration committee are to make recommendations to our Board regarding our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies, and to make recommendations to the Board on the remuneration packages of our Directors and senior management and on the employee benefit arrangement.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the paragraph A.5 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our nomination committee consists of three members, namely, Mr. Ip Shu Kwan, Stephen, Dr. Wu Wing Kuen and Mr. TC Wong. Mr. Ip Shu Kwan, Stephen is the chairman of the committee. The primary duties of our nomination committee are to make recommendations to our Board in relation to the appointment and removal of Directors and senior management and on matters of succession planning.

COMPLIANCE ADVISER

We have appointed China Everbright Capital Limited as our compliance adviser upon Listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A. 23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be notifiable or connected transaction, is contemplated, including share issues and share repurchases;

- where we propose to use proceeds of the Global Offering in a manner different from that detailed in this prospectus;
- where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules regarding unusual movements in the price regarding volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to mutual agreement.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Group in the form of fees, salaries, bonus, contributions to pension schemes, allowances and benefits in kind.

The aggregate remuneration (including salaries, bonuses, share-based compensations, contributions to pension schemes, other social security costs and other employee benefits) received by our Directors were approximately RMB1.74 million, RMB1.94 million, RMB2.6 million and RMB2.13 million for the years ended 31 December 2015, 2016, 2017 and for the six months ended 30 June 2018, respectively.

The aggregate amount of salaries, bonuses, contribution to pension schemes, other social security costs and other employee benefits and share-based payments paid to our Company's five highest paid individuals who are neither a Director nor chief executive of our Company were approximately RMB2.1 million, RMB2.4 million, RMB3.4 million and RMB1.38 million for the years ended 31 December 2015, 2016, 2017 and for the six months ended 30 June 2018, respectively.

Pursuant to the arrangements currently in force, the aggregate amount of remuneration (excluding discretionary bonus) payable to and the benefits in kind receivable by our Directors for the year ending 31 December 2018 is estimated to be RMB4.48 million.

No remuneration was paid by our Group to our Directors or the five highest paid individuals who are neither a Director nor chief executive of our Company as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

No other payments have been made or are payable during the Track Record Period by our Group to the Directors.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 26 November 2018. For details of the Share Option Scheme, please refer to the sub-paragraph headed "1. Share Option Scheme" under the paragraph headed "D. Other information" in Appendix V to this prospectus.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue as of the date of this prospectus and to be issued as fully paid or credited as fully paid immediately following completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme):

Authorised share capital		**HK$**
1,000,000	Shares of HK$0.01 each	10,000.00
Increase authorised share capital		
2,000,000,000	Shares	20,000,000.00
Shares issued and to be issued, fully paid or credited as fully paid:		
2	Shares in issue as of the date of this prospectus	0.02
9,998	Shares to be issued pursuant to the Loan Capitalisation	99.98
562,490,000	Shares to be issued pursuant to the Capitalisation Issue	5,624,900.00
187,500,000	Shares to be issued pursuant to the Global Offering	1,875,000.00

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and are completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the Global Offering, the Loan Capitalisation and the Capitalisation Issue. The above table does not take into account any Shares to be issued upon the Over-allotment Option, any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* with all Shares currently issued or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholder(s) dated 26 November 2018, we conditionally adopted the Share Option Scheme. Please refer to the sub-paragraph headed "1. Share Option Scheme" under the paragraph headed "D. Other information" in Appendix V of this prospectus for details of the principal terms of the Share Option Scheme.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Our company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders' special resolution. For more details, please refer to the sub-paragraph headed "2.1 Shares" under the paragraph headed "2. Articles of Association" in Appendix IV to this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Subject to the conditions stated in the section headed "Structure and conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares of such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(i) a rights issue;

(ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association; and

(iii) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total number of issued Shares immediately following completion of the Global Offering; and

(ii) the total numbers of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the paragraph headed "General mandate to repurchase Shares" below.

This general mandate to issue Shares will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; and

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the sub-paragraph headed "6. Share repurchase mandate" under the paragraph headed "A. Further information about our Group" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure and conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total numbers not more than 10% of the total number of issued Shares immediately following completion of the Global Offering (without taking into account any Shares to be issued upon Over-allotment Option any Shares to issued upon the exercise of any options which may be granted under the Share Option Scheme).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange of this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set forth in the sub-paragraph headed "6. Share repurchase mandate" under the paragraph headed "A. Further information about our Group" in Appendix V to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; and

(iii) when varied or revoked by any ordinary resolution of our Shareholder in general meeting.

For further details of this general mandate, please refer to the sub-paragraph headed "6. Share repurchase mandate" under the paragraph headed "A. Further information about our Group" in Appendix V to this prospectus.

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or a short position in our Shares or the underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name of shareholder	Nature of interest	Shares held upon Global Offering[(1)]	
		Number	Approximate percentage
Fortune Speed[2]	Beneficial owner	562,500,000	75%
Winnermax Management[2]	Interests in controlled corporation	562,500,000	75%
Happy Family Assets[2]	Interests in controlled corporation	562,500,000	75%
East Asia International Trustees Limited[2]	Trustee of a trust	562,500,000	75%
Mr. TC Wong[2]	Beneficial owner	562,500,000	75%
Mr. Wong Ting Kau[3]	Beneficial owner	562,500,000	75%
Mr. Wong Ting Chun[3]	Beneficial owner	562,500,000	75%
Mr. Wong Wai Wing, Raymond[3]	Beneficial owner	562,500,000	75%
Ms. Wong Wai Ling[3]	Beneficial owner	562,500,000	75%
Ms. Wang Kam Chu[4]	Interest of spouse	562,500,000	75%
Ms. Tsoi Suet Ngai[5]	Interest of spouse	562,500,000	75%
Ms. Chan Ka Wai[6]	Interest of spouse	562,500,000	75%
Ms. Kwan Ying Tsi, Catherine[7]	Interests of spouse	562,500,000	75%
Mr. George Lau[8]	Interest of spouse	562,500,000	75%

Notes:

(1) All interests stated are long positions.

(2) Our Company is wholly owned by Fortune Speed, the holding vehicle incorporated in the BVI by Winnermax Management, which is in turn wholly owned by Happy Family Assets, a company wholly owned by East Asia International Trustees Limited.

East Asia International Trustees Limited is the trustee of the Happy Family Trust, a trust established by Mr. TC Wong as the settlor and protector for the benefit of the Wong's Family. Accordingly, each of Winnermax Management and Mr. TC Wong is deemed under the SFO to be interested in the Shares held by Fortune Speed.

(3) Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing Raymond and Ms. Wong Wai Ling are beneficiaries of the Happy Family Trust. Accordingly, each of Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing Raymond and Ms. Wong Wai Ling are deemed under the SFO to be interested in the Shares held by Fortune Speed.

(4) Ms. Wong Kam Chu is the spouse of Mr. TC Wong and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. TC Wong.

(5) Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Chun.

(6) Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Kau.

(7) Ms. Kwan Ying Tsi, Catherine is the spouse of Mr. Wong Wai Wing, Raymond and is therefore deemed under the SFO to be interested in the Shares held, directly and indirectly, by Mr. Wong Wai Wing, Raymond.

(8) Mr. George Lau is the spouse of Ms. Wong Wai Ling and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Ms. Wong Wai Ling.

(9) For interests of our Directors in the Shares, please refer to the paragraph headed "C. Further information about our Directors and Substantial Shareholders" in Appendix V to this prospectus.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following discussion should be read in conjunction with the consolidated financial information together with the accompanying notes in the Accountants' Report of our Group, the text of which is set forth in Appendix I to this prospectus. Our financial information is prepared in conformity with HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Accountants' Report as set out in Appendix I to this prospectus and not rely merely on the information contained in this section. Unless the context otherwise requires, financial information in this section is described on a consolidated basis.

The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections headed "Risk factors" and "Business" and elsewhere in this prospectus.

OVERVIEW

We are a property developer primarily focusing on development of properties that are dominantly for residential use in Huizhou in Guangdong Province and locations in the PRC which we consider with potential growth, such as Tianjin and Zhumadian in Henan Province.

We mainly focus on developing affordable luxury residential complex or integrated residential properties, which are dominantly residential properties mixed with ancillary facilities, such as retail stores, club houses and kindergartens, to attract middle to high income residents in surrounding neighbourhoods. With our established brand name in Huizhou in Guangdong Province, according to the Colliers Report, we ranked the 12th among property developers in Huizhou in Guangdong Province based on the residential GFA available for sale in the first half of 2018 which is in accordance with the pre-sale permits issued in the first half of 2018 available in the public domain, having a market share of approximately 1.4%. The total real estate investment of commodity properties in nine cities in the Greater Bay Area, including Huizhou in Guangdong Province, increased from approximately RMB311.9 billion in 2011 to approximately RMB982.8 billion in 2017, representing a CAGR of approximately 16.1%.

Our development projects are located at Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province. As at 30 September 2018, we had 17 development projects in the PRC which were either completed, under development, or held for future development. For further details regarding our development projects, please refer to the paragraph headed "Our development projects" under the section headed "Business" in this prospectus.

For each of the three years ended 31 December 2017 and the six months ended 30 June 2018, our revenue was approximately RMB58.5 million, RMB894.8 million, RMB973.1 million and RMB263.0 million, respectively, and (loss)/profit for each of the three years ended 31 December 2017 and the six months ended 30 June 2018 was approximately RMB(6.7) million, RMB131.0 million, RMB76.8 million and RMB39.6 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 15 November 2016 as an exempted company with limited liability under the Companies Law. As our Reorganisation primarily involved inserting a newly formed entity with no substantive operations as the new holding company between Mr. TC Wong and his family, namely Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing Raymond, Ms. Wong Wai Ling, Mr. George Lau and Mr. Wong Wai Yue, and our PRC subsidiaries, there has been no change in the ultimate control and there were no substantive changes in the business and operations of the companies now comprising our Group. As the control is not transitory and, consequently, there was a continuation of risks and benefits to Mr. TC Wong and his family namely Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Wing Raymond, Ms. Wong Wai Ling, Mr. George Lau and Mr. Wong Wai Yue, the historical financial information of our Group has been prepared and presented using the merger basis of accounting as if our Group has always been in existence. Further details of our Reorganisation are set out in the paragraph headed "Reorganisation" under the section headed "History and Reorganisation" in this prospectus.

During the Track Record Period, a subsidiary within our Group had controlling equity interests in a number of entities which were engaged in businesses delineated from our business, which primarily included companies that are either dormant companies or engaged in equity investment (the "**Carve-Out Entities**"). The Carve-Out Entities maintain separate management personnel and accounting records. As part of our Reorganisation, our Group's equity interests in these Carve-Out Entities were transferred to the entities controlled by Mr. TC Wong during the Track Record Period. The historical financial information of our Group during the Track Record Period excludes the assets, liabilities and results of operation of the Carve-Out Entities whose businesses are, in the opinion of our Directors, clearly delineated from our business and whose assets, liabilities, revenues and expenditures are clearly identifiable.

The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period as set out in Accountants' Report in Appendix I to this prospectus include the financial performance and cash flows of the companies now comprising our Group (or where the companies were incorporated at a date later than 1 January 2015, for the period from the date of incorporation to 30 June 2018) as if the current group structure had been in existence and remained unchanged throughout the Track Record Period. The consolidated statements of financial position of our Group as at 31 December 2015, 2016 and 2017 and 30 June 2018 as set out in Accountants' Report in Appendix I to this prospectus have been prepared to present the financial position of the companies now comprising our Group as at those dates as if the current group structure had been in existence as at the respective dates. Intra-group balances and transactions are eliminated in full in preparing the historical financial information of our Group.

Further details of our basis of preparation and presentation of the historical financial information are set out in Note 1 to the Accountants' Report as set out in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operation and financial condition are affected by a number of factors, many of which operate beyond our control. Please refer to the section headed "Risk factors" in this prospectus for more details. Some of these factors are described below.

Economic conditions and regulatory environment in the PRC

The overall economic growth and urbanisation in the cities and regions that we operate and intend to operate are expected to continue to impact our results of operation. The overall economic growth in the PRC and rate of urbanisation will continue to be affected by a combination of factors, including changes in global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government. Such macroeconomic dynamics and policies have in the past affected and will likely continue to affect the supply and demand of property industry where we operate and the areas that we intend to operate.

In addition, our business is subject to extensive governmental policies and regulations, especially those relating to property sector. During the Track Record Period, the PRC government had implemented a series of regulations and policies to slow down the property market and property price inflation, as well as to dampen property speculation. These policies may limit our ability to obtain financing, acquire land for future development and generate sufficient operating cash flow. For further details, please refer to the section headed "Regulatory overview" in this prospectus.

We cannot assure you that the PRC government will not adopt additional or more stringent policies and regulations related to the industry in the future. Such change may affect our sales, delay our pre-sales schedules, or cause us to lower selling price and/or incur additional development costs, hence our results of operation may be materially and adversely affected.

Availability and cost of financing

During the Track Record Period, we financed our development projects primarily through (i) bank loans; (ii) capital contributions from our Shareholders; (iii) proceeds from sale and pre-sale of our properties; and (iv) loans from our related parties.

Bank loans have been, and we expect will continue to be, one of the important sources of funding for us. As at 31 December 2015, 2016 and 2017 and 30 June 2018, our outstanding bank loans amounted to approximately RMB62.4 million, nil, RMB299.3 million and RMB364.5 million, respectively. As commercial banks and other financial institutions in the PRC link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs related to our developments. In addition, increases in interest rates adversely affect the appeal of mortgage financing to potential purchasers of our properties, which will in turn affect demand for our properties.

In addition, we regularly consider and solicit additional or expanded bank loans to support our growing property development businesses. To the extent the PRC Government acts to limit the availability of debt or other capital to our industry, or to the extent the banks which we customarily deal with decide to change their lending focus away from our industry, availability and cost of financing to us could be adversely impacted. Without additional debt capital being available to us, our property development businesses cannot expand in the absence of new sources of equity capital.

Pre-sale

As permitted by PRC laws and regulations, we pre-sell properties upon satisfaction of certain legal requirements before completion of construction. We are required to use the pre-sale proceeds in the development of the same development project. Since the pre-sale proceeds constitute another important source of our operating cash flow during the progress of our project developments, any interruption or other delay in the amount or availability of cash flow from pre-sales could adversely affect us. Factors affecting pre-sale include timing and other restrictions on pre-sale imposed by the PRC Government, market demand for our properties and the number of properties we have available for pre-sale. Reduced cash flow from pre-sale of our properties would increase our reliance on external financing and adversely affect our ability to repay project-specific loans.

Progress of our development projects

Our capacity for property development is constrained by the substantial amount of capital required to fund property development which include, (i) the costs of land acquisition; and (ii) the cost of property construction. Our results of operation depend on the number of properties we developed and are ready to market in a given period, which in turn depends on the number of development projects we have under development, the construction schedule for these development projects, and our ability to timely conduct pre-sales and subsequent deliveries. While the pre-sale of a property generates positive cash flow for us in the period in which it is made, sale is recognised either (i) upon the point in time when a customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of such property, being the time of delivery of properties; or (ii) as performance obligations are satisfied over time in accordance with the progress when the properties sold have no alternative use to our Group due to contractual arrangements and we have an enforceable right to payment from our customers for the performance completed to date. As market demand is not stable, revenue in a particular period depends on our ability to time both the expected market demand for a development project and the expected start and completion of the development project's construction as well as the time when the purchaser actually takes control of the property. As a result, our results of operation are dependent upon events beyond our control and upon our business judgement as to both demand and our ability to deliver a property efficiently and timely.

Fluctuation of results of operation

Our results of operation tend to fluctuate from period to period due to a combination of factors, including the development cycle of our development projects, the level of acceptance of our properties by customers, the market selling price of our properties, the timing of pre-sales and revenue recognition of properties and any material changes in cost of sales. Often, our properties are developed in multiple phases over the course of more than one year, and multiple development projects are scheduled in parallel. During the Track Record Period, we only pre-sold/sold five development projects, namely Million Cities International Phases 1 to 3, Million Cities Legend Phases 1 to 2, Sunshine New Court Phases 1 to 2, Million Cities Tycoon Place Phases 1 to 2 and Crown Grand Court. Each development project had different development cycles and different profit margin depending on the regions, product types and prevailing development cost. During the Track Record Period, there was no project substantially completed in 2015; while Million Cities Legend Phase 1 and Sunshine New Court Phase 2 in Huizhou in Guangdong Province were completed in 2016, and Million Cities Tycoon Place Phases 1 and 2 in Tianjin were completed in 2017. The profit recognition of different projects made our results of operation more likely to fluctuate during the Track Record Period. As the result of these and other factors, our cash flow, revenue, and profit tend to fluctuate from period to period and the results of operation for any interim period may not be indicative of our actual annual results or results of our development projects. With our business plan of developing more development projects in the future, we are more likely to maintain a desirable revenue mix from multiple development projects, and we believe our results of operation shall be less likely to fluctuate.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain critical accounting policies and estimates that are significant to the preparation of our consolidated financial statements and important for an understanding of our financial position and results of operation. Our significant accounting policies are set out in Note 2 to the Accountants' Report as set out in Appendix I to this prospectus.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Judgements made by management in the application of HKFRSs that have significant effect on the financial information of our Group during the Track Record Period and major sources of estimation uncertainty are discussed in Note 3 to the Accountants' Report as set out in Appendix I to this prospectus.

Our management has identified the following accounting policies that are most critical to the preparation of our financial information.

Sale of properties

Revenue arising from the sale of properties in the ordinary course of business is recognised:

— upon the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities; or

— as the performance obligations are satisfied over time in accordance with the progress when the properties sold have no alternative use to our Group due to contractual arrangements and our Group has an enforceable right to payment from the customer for the performance completed to date. The excess of the consideration that our Group has the unconditional right to receive from the customers over the revenue recognised in profit or loss is included in the statement of financial position as contract liabilities.

When residential properties are marketed by our Group while the property is still under construction, our Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to our Group, interest expense arising from the adjustment of time value of money will be accrued by our Group during the period between the payment date and the date that revenue is recognised. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer.

Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

When our Group holds property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied other investment properties leased under finance leases.

Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— ***Property held for development and property under development***

The cost of properties held for development and properties under development comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— ***Completed property held for sale***

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by our Group which comprise multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Contract liability

A contract liability is recognised when the customer pays consideration to our Group before our Group recognises the related revenue. A contract liability would also be recognised if our Group has an unconditional right to receive consideration before our Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

LAT

Our development projects are subject to LAT with respect to the appreciated value of the related land and improvements on such land under PRC regulations. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from sale of properties less deductible expenditures including lease charges of land use rights, borrowing cost and relevant property development expenditures. The provision for LAT requires us to use a significant amount of judgement and estimates. Our Group has accrued all the LAT payable on our property sales and transfers in compliance with the relevant LAT laws and regulations during the Track Record Period.

Applications of HKFRS 9 and HKFRS 15

The historical financial information of our Group has been prepared based on our Underlying Financial Statements (as defined in the Appendix I to this prospectus), in which HKFRS 9, *Financial instruments* ("**HKFRS 9**") and HKFRS 15, *Revenue from contracts with customers* ("**HKFRS 15**") have been adopted and applied consistently since the beginning of, and throughout, the Track Record Period.

Nonetheless, we have carried out an assessment with our best efforts based on the principles set out in HKAS 18, *Revenue* ("**HKAS 18**") and HKAS 39, *Financial Instruments: Recognition and Measurement* ("**HKAS 39**") and set forth below certain estimated key impact on our financial position and performance if HKAS 18 and HKAS 39 were adopted instead:

- **Adoption of new impairment model.** HKFRS 9 requires the recognition of impairment provisions of financial assets measured at amortised cost based on expected credit losses while it is based on as incurred model under HKAS 39. We have assessed that the adoption of these two different models would not result in significant difference on bad debt provision. In addition, the adoption of HKFRS 9 during the Track Record Period would not have significant impact on the financial position and financial performance of our Group.

- **Revenue recognition.** Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. HKFRS 15 requires revenue recognition upon control of the properties under development be transferred over time or at a point in time, depending on the terms of our pre-sale agreement and the governing laws of such agreements. Control of properties under development is transferred over time when our performance does not create an asset with an alternative use to us due to contractual arrangements and we have an enforceable right to payment from the customer for performance completed to date. When control of the property is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. However, if HKAS 18 was adopted, revenue from pre-sale of properties would be recognised at a single point in time when the risks and rewards of the completed properties are transferred to the customers.

- **Financing component.** Under HKFRS 15, where the contract contains a financing component which provides a significant financing benefit to our Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. However, if HKAS 18 was adopted, revenue recognised under a contract containing a significant financing component would not include the accreted interest expense.

- **Contract liabilities.** HKFRS 15 requires separate presentation of contract assets and liabilities in the consolidated balance sheets. If HKAS 18 had been applied throughout the Track Record Period, it would result in some reclassifications in relation to our Group's unsatisfied performance obligations to contract liabilities, which however would have been presented as "Receipt in advance" under HKAS 18.

- **Accounting for certain costs incurred to obtain a contract.** Under HKFRS 15, incremental costs incurred to obtain a contract are eligible to be capitalised and recognised within contract assets, and subsequently amortised when the related revenue is recognised. However, they would not have been qualified for recognition as an asset and should have been expensed off as incurred if HKAS 18 was applied throughout the Track Record Period.

Based on our initial assessment, if HKAS 18 was applied instead of HKFRS 15 throughout the Track Record Period, we estimate that the key items in the consolidated statements of profit or loss for the three years ended 31 December 2017 and the six months ended 30 June 2018 would have been affected as follows:

Increase/(decrease)	For the year ended 31 December			For the six months ended 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	(38,177)	6,881	(25,169)	(107,515)
Gross profit	(7,646)	(208)	(7,152)	(42,590)
Selling expense	1,853	9,504	(12,013)	1,195
Income tax	(2,206)	(118)	(2,367)	(18,990)
Net profit	(7,293)	(9,339)	7,447	(24,727)
Net profit attribute to equity shareholders of our Company	(3,944)	(5,184)	4,259	(16,326)

And the key items in the consolidated statements of financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 would have been affected as follows:

Increase/(decrease)	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	(389,118)	(730,339)	(71,281)	(652,691)
Receipt in advance	427,270	743,226	88,630	773,974
Inventories and other contract costs	24,117	(7,904)	3,913	62,706
Prepaid CIT, LAT and other prepayments	4,930	1,353	1,521	13,329
Deferred tax assets	1,774	1,126	1,493	2,189
Deferred tax liabilities	—	(528)	(1,801)	(9,100)
Net assets	(7,331)	(16,672)	(9,224)	(33,952)

However, the above amounts are estimates only, since neither we had prepared, nor the reporting accountants had audited or reviewed, the consolidated financial statements of our Group for the Track Record Period based on HKAS 18 and HKAS 39.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets out certain items derived from our consolidated results of profit or loss during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	58,482	894,784	973,093	52,478	263,009
Cost of sales	(42,881)	(668,116)	(767,680)	(34,600)	(139,898)
Gross profit	15,601	226,668	205,413	17,878	123,111
Valuation gains on investment properties	100	2,000	1,670	—	1,420
Other net income	33,516	2,711	1,842	858	621
Selling expenses	(12,652)	(16,244)	(21,379)	(2,448)	(3,930)
Administrative expenses	(28,291)	(27,398)	(38,904)	(18,501)	(29,153)
Other expenses	(38)	(697)	(6,702)	(3,428)	(236)
Profit/(loss) from operations	8,236	187,040	141,940	(5,641)	91,833
Finance costs	(1,868)	(397)	(219)	(134)	(40)
Share of profits less losses of associates	—	—	(252)	(5)	(786)
Share of profits less losses of joint ventures	—	—	(82)	17	(181)
Profit/(loss) before taxation	6,368	186,643	141,387	(5,763)	90,826
Income tax	(13,028)	(55,676)	(64,610)	(2,043)	(51,206)
(Loss)/profit for the year/period	(6,660)	130,967	76,777	(7,806)	39,620
Attributable to:					
Equity shareholders of our Company	418	68,007	38,592	(7,905)	16,800
Non-controlling interests	(7,078)	62,960	38,185	99	22,820
(Loss)/profit for the year/period	(6,660)	130,967	76,777	(7,806)	39,620

Revenue

Our revenue mainly represented income from sale of properties and gross rentals from properties earned during the year/period, net of sales related taxes and discounts allowed. The following table sets out the breakdown of our revenue generated during the Track Record Period:

	Year ended 31 December									Six months ended 30 June 2018					
	2015			2016			2017			2017			2018		
Sale of properties	GFA recognised *(Note 1)*	Revenue	Average selling price	GFA recognised *(Note 1)*	Revenue	Average selling price	GFA recognised *(Note 1)*	Revenue	Average selling price	GFA recognised *(Note1)*	Revenue	Average selling price	GFA recognised *(Note1)*	Revenue	Average selling price
	(sq.m.)	(RMB'000)	(RMB/ sq.m.)	(sq.m.)	(RMB'000)	(RMB/ sq.m.)	(sq.m.)	(RMB'000)	(RMB/ sq.m.)	(sq.m.)	(RMB'000) *(unaudited)*	(RMB/ sq.m.)	(sq.m.)	(RMB'000)	(RMB/ sq.m.)
— Million Cities International (萬城國際)	2,464	14,968	6,075	1,866	13,915	7,458	—	—	—	—	—	—	471	6,091	12,932
— Million Cities Legend (萬城名座)	5,502	31,664	5,755	88,978	541,047	6,081	2,353	22,413	9,524	1,666	14,872	8,927	7,952	98,694	12,411
— Sunshine New Court (陽光新苑)	1,163	5,596	4,811	60,766	315,417	5,191	6,697	41,638	6,217	4,374	23,603	5,396	13,907	108,050	7,769
— Million Cities Tycoon Place (萬城聚豪)	184	916	4,977	2,607	20,848	7,996	116,129	876,952	7,552	1,556	11,850	7,616	2,981	19,762	6,629
— Commercial property in Huizhou, namely Double Stars Commercial Building (雙子星國際商務大廈) (**"Double Stars"**) *(Note 2)*	—	—	—	—	—	—	2,118	28,053	13,246	—	—	—	—	—	—
— Crown Grand Court (皇冠豪苑)	—	—	—	—	—	—	—	—	—	—	—	—	3,047	28,313	9,292
Sub-total	9,313	53,144	5,706	154,217	891,227	5,779	127,297	969,056	7,613	7,596	50,325	6,625	28,358	260,910	9,201
Gross rentals from operating leases *(Note 3)*	—	5,338	—	—	3,557	—	—	4,037	—	—	2,153	—	—	2,099	—
Total		58,482			894,784			973,093			52,478			263,009	

Notes:

1. GFA recognised refers to areas of properties which are eligible for revenue recognition according to our Group's accounting policy.

2. It represents proceeds from sale of two units of commercial property, namely Double Stars, in Huizhou in Guangdong Province in 2017. Such units of the Double Stars were acquired by us in 2005.

3. It represents gross rentals from leasing of our investment properties as well as leasing of certain of our developed and unsold properties, including office buildings, car parks and kindergarten.

4. During the Track Record Period, nil, approximately RMB11.6 million, RMB9.1 million and RMB8.1 million, respectively (representing nil, approximately 1.3%, 0.9% and 3.1%, respectively) of our total revenue were derived from the sale of our properties to our staff or their respective close family members.

Sale of properties

Revenue from sale of properties has constituted, and is expected to continue to constitute, a majority of our total revenue. Our operating results for any given period are dependent upon the GFA we recognised and the selling prices of our properties during such period. Conditions of the property markets change from period to period and are affected by the economic, political and regulatory developments in the PRC in general, as well as in the cities and regions in which we operate.

During the Track Record Period, our GFA and revenue recognised, as well as the average selling price fluctuated from period to period depending on the types and sizes of the property units.

Subject to satisfying the legal requirements for pre-sales in the PRC, we may sell our properties prior to completion and delivery. For further details, please refer to the sub-paragraph headed "Pre-sale" under the paragraph headed "Our development projects" under the section headed "Business" in this prospectus. Generally, it takes one to two years for us to deliver the properties to customers after we commence the pre-sale of properties under development. The pre-sale proceeds from customers are recorded as "contract liability" before relevant sales revenue is recognised. Our revenue arising from the sale of properties is recognised either (i) upon the point in time when our customers has the ability to direct the use of the properties and obtain substantially all of the remaining benefits of such properties, being the time of delivery of properties; or (ii) as performance obligations are satisfied over time in accordance with the progress when the properties sold have no alternative use to our Group due to contractual arrangements and we have an enforceable right to payment from our customers for the performance completed to date. As a result of the time differences between cash received from pre-sales and revenue recognition, the amount and growth rate of our revenue from sale of properties, and contract liability may fluctuate from period to period.

Revenue for a period is mainly dependent upon the type and GFA of properties we recognised during that period, the market demand for those properties, the price of such properties and the terms of sale. For further details, please refer to the paragraph headed "Key factors affecting our performance" in this section above and the section headed "Risk factors" in this prospectus.

Gross rentals from operating leases

Rental income included revenue from leasing of our investment properties as well as leasing of certain of our developed and unsold properties and is recognised in profit or loss in equal instalments over the periods covered by the lease term. In respect of revenue from leasing of our investment properties, it represents the rental income derived from the letting of the properties which we acquired in areas that were then not fully developed. In respect of revenue from leasing of our developed and unsold properties, it represents the rental income derived from the letting of certain properties that we developed and are not sold during the relevant period.

Cost of sales

Cost of sales primarily represented the costs we incur directly for the property development activities and leasing operations. The principal components of cost of sales in connection with sale of properties, including cost of properties sold, which mainly represents (i) land use rights costs; and (ii) development costs.

The table below sets out the components of our costs of properties sold during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 *(unaudited)*	%	RMB'000	%
Cost of development projects										
— Land use rights costs	1,420	3.3	34,159	5.1	122,469	16.0	2,029	5.9	16,708	11.9
— Development costs	40,480	94.4	627,912	94.0	599,898	78.1	31,564	91.2	119,857	85.7
— Capitalised interest *(Note 1)*	—	—	4,487	0.7	31,820	4.1	182	0.5	2,028	1.4
Sub-total	41,900	97.7	666,558	99.8	754,187	98.2	33,775	97.6	138,593	99.0
Cost of leasing operations	981	2.3	1,558	0.2	1,693	0.2	825	2.4	1,305	1.0
Others *(Note 2)*	—	—	—	—	11,800	1.6	—	—	—	—
Total	**42,881**	**100.0**	**668,116**	**100.0**	**767,680**	**100.0**	**34,600**	**100.0**	**139,898**	**100.0**
Total GFA recognised (sq.m.)	9,313		154,217		127,297		7,596		28,358	
Average cost per sq.m. sold (RMB) *(Note 3)*	4,499		4,322		6,017		4,446		4,887	
Average cost as % of average selling price (%)	79		75		79		67		53	
Average land use rights cost per sq.m. sold (RMB) *(Note 4)*	152		222		962		267		589	
Average land use rights cost as % of average selling price (%)	3		4		13		4		6	

Notes:

1. Capitalised interest represents the finance costs that we capitalised to the extent that such costs are directly attributable to the construction of a particular development project.

2. Others represent the cost of two units of Double Stars, which were disposed of during the year.

3. Average cost of sales per sq.m. sold refers to the average cost of our property sold and is derived by dividing the sum of land use rights costs and development costs for a period by the total GFA recognised in that year/period. The figure for 2017 includes the cost of two units of Double Stars which were sold during the year.

4. Average land use rights cost per sq.m. sold refers to the average land use rights cost of our property sold and is derived by dividing the land use rights costs for a year or six months by the total GFA recognised in that relevant year/period.

(i) *Land use rights costs* — Land use rights costs represented costs relating to acquisition of the rights to occupy, use and develop land, including land grant premiums and fair value adjustment in relation to acquisition of project companies that held land use rights and other land-related taxes and government surcharges. These costs for a development project were affected by a number of factors, such as the location of the underlying property, regional property market condition, the timing of the land acquisition, the development project's plot ratios, the method of acquisition and changes in PRC regulations.

(ii) *Development costs* — development costs included costs for the design and construction of a development project, consisting primarily of construction fees to construction contractors, including fees relating to construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our development costs were affected by a number of factors such as price movements of construction materials, location and types of properties, choices of materials and the types of ancillary facilities. Substantially all of the costs of construction materials procured by our construction contractors were accounted for as part of the construction contractor fees upon settlement with the relevant construction contractors.

The principal components of cost of leasing operations mainly consist of property management fee.

The following table sets out a sensitivity analysis of hypothetical fluctuations in our average selling price of our properties sold and recognised, and development costs, with other assumptions held constant, and their effect on our revenue and gross profit (if any) for the periods indicated:

Hypothetical fluctuations of our average selling price of our properties sold and recognised	**Year ended 31 December**			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
If our average selling price of our properties sold and recognised, had been 10% higher/lower					
Increase/decrease in our revenue (RMB'000)	+/– 5,314	+/– 89,123	+/– 96,906	+/– 5,024	+/– 26,091
Increase/decrease in our gross profit (percentage point)	+/– 6.1%	+/– 6.8%	+/– 7.2%	+/– 5.8%	+/– 4.8%

Hypothetical fluctuations of our development costs	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
If our development costs, had been 10% higher/lower					
Increase/decrease in our cost of sales (RMB'000)	+/– 4,048	+/– 62,791	+/– 59,990	+/– 3,156	+/– 11,986
Decrease/increase in our gross profit margin (percentage point)	–/+ 6.9%	–/+ 7.0%	–/+ 6.2%	–/+ 6.0%	–/+ 4.6%

Gross profit and gross profit margin

The following table sets out our total gross profit and gross profit margin during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 *(unaudited)*	%	RMB'000	%
Sale of properties										
— Million Cities International (萬城國際)	3,599	24.0	6,681	48.0	—	—	—	—	4,328	71.1
— Million Cities Legend (萬城名座)	6,726	21.2	135,063	25.0	11,673	52.1	7,274	48.9	43,926	44.5
— Sunshine New Court (陽光新苑)	1,071	19.1	77,203	24.5	15,893	38.2	6,453	27.3	55,901	51.7
— Million Cities Tycoon Place (萬城聚豪)	(152)	(16.6)	5,722	27.4	159,250	18.2	2,824	23.8	8,374	42.4
— Double Stars	—	—	—	—	16,253	57.9	—	—	—	—
— Crown Grand Court (皇冠豪苑)	—	—	—	—	—	—	—	—	9,787	34.6
	11,244	21.2	224,669	25.2	203,069	21.0	16,551	32.9	122,316	46.9
Gross rentals from operating lease	4,357	81.6	1,999	56.2	2,344	58.1	1,327	61.6	795	37.9
	15,601	**26.7**	**226,668**	**25.3**	**205,413**	**21.1**	**17,878**	**34.1**	**123,111**	**46.8**

Note: During the Track Record Period, nil, approximately RMB0.9 million, nil and approximately RMB3.4 million, respectively, of our gross profit were derived from the sale of our properties to our staff and their respective close family members.

Valuation gains on investment properties

Valuation gains on investment properties represented the fair value changes of our investment properties. With our keen market insight, investment vision on the PRC real estate market and expertise in the PRC real estate market, including our understanding of local property market conditions and our sales and marketing capabilities on property developments accumulated over the years, we also strategically select and acquire properties which were not developed by us. We identify properties that were located in areas which we believe has high growth potential and can generate considerable investment returns. For further details, please refer to the paragraph headed "Properties acquired and not developed by us" under the section headed "Business" in this prospectus.

Other net income

Our other net income primarily consisted of interest income and net gain on disposals of investment properties. Interest income primarily comprised interest income on bank deposits. During the year ended 31 December 2015, we disposed of an investment property to an independent third party in which we recognised a net realised gain of approximately RMB31.4 million.

Selling expenses

Selling expenses primarily included expenses relating to advertising and marketing, sales commissions, and office expenses. Selling expenses in connection with our property development were generally accrued during the pre-sale period. A breakdown of our selling expenses during the Track Record Period is as follows:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Advertisement and marketing expenses	8,419	66.6	6,330	39.0	2,155	10.1	771	31.5	907	23.1
Sales commission *(Note 1)*	157	1.2	5,039	31.0	16,889	79.0	545	22.3	789	20.1
Office expenses	1,194	9.4	1,801	11.1	1,301	6.1	508	20.8	1,745	44.4
Others *(Note 2)*	2,882	22.8	3,074	18.9	1,034	4.8	624	25.4	489	12.4
Total	**12,652**	**100.0**	**16,244**	**100.0**	**21,379**	**100.0**	**2,448**	**100.0**	**3,930**	**100.0**

Notes:

1. Sales commission is charged at a percentage ranging from approximately 0.8% to 5.0% to the consideration of the property as set out in the pre-sale agreement or sale and purchase agreement and payable to sales agents in accordance with the terms agreed between our Group and the sales agent.

2. Others mainly include expenses related to sales centre (銷售中心) and show flats (樣板房展示區) for sales and marketing purposes during the pre-sale of our developed properties.

Administrative expenses

Administrative expenses included expenses relating to staff costs, entertainment expenses, travel expenses, depreciation of property, plant and equipment, consultation and audit fees, tax and other expenses. A breakdown of our administrative expenses during the Track Record Period is as follows:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Staff costs	11,988	42.4	13,648	49.8	21,606	55.5	10,556	57.1	11,413	39.1
Entertainment expenses	2,337	8.3	1,942	7.1	2,836	7.3	2,007	10.8	1,745	6.0
Travel expenses	496	1.8	614	2.2	724	1.9	334	1.8	468	1.6
Depreciation of property, plant and equipment	1,845	6.5	2,108	7.7	2,417	6.2	1,049	5.7	1,895	6.5
Consultation and audit fees	874	3.1	1,227	4.5	4,380	11.3	1,355	7.3	10,081	34.6
Tax *(Note 1)*	3,160	11.2	3,117	11.4	3,698	9.5	1,561	8.4	1,603	5.5
Others *(Note 2)*	7,591	26.7	4,742	17.3	3,243	8.3	1,639	8.9	1,948	6.7
Total	**28,291**	**100.0**	**27,398**	**100.0**	**38,904**	**100.0**	**18,501**	**100.0**	**29,153**	**100.0**

Notes:

1. Tax mainly includes land use rights tax in respect of our land which has not been developed during the relevant period; and property tax in respect of completed properties which we designated to use as club houses for our operational purpose, instead of for sale.

2. Others include utility fee, motor car expenses, repair and maintenance expenses etc..

Other expenses

Other expenses included donations and other sundry expenses during the Track Record Period, breakdown of which were as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Donations *(Note)*	38	560	6,561	3,311	113
Other sundry expenses	—	137	141	117	123
Total	**38**	**697**	**6,702**	**3,428**	**236**

Note: It mainly represents donations to charitable organisations approved by the PRC government.

Our Directors believe that we have the corporate social responsibility to contribute to the sustainable development of the society by supporting the underprivileged and the future generations.

We continuously made donations to charitable organisations approved by the PRC government during the Track Record Period. Given that (i) our revenue significantly increased from approximately RMB58.5 million for the year ended 31 December 2015 to approximately RMB973.1 million for the year ended 31 December 2017; (ii) our financial performance was gradually improving during the Track Record Period from a loss of approximately RMB6.7 million for the year ended 31 December 2015 to a profit of approximately RMB76.8 million for the year ended 31 December 2017; and (iii) cash received from the pre-sale of our properties was released from the escrow accounts upon delivery of Million Cities Legend Phase 1 and Sunshine New Court Phase 2 in 2016, we had sufficient cash surplus and retained profit to gradually increase our financial support to charitable organisations as our corporate social responsibility initiatives.

Finance costs

Finance costs represented (i) interest on bank loans; and (ii) accrued interest on significant financing component of contract liabilities, net of interest expenses capitalised into inventories relating to properties under development. The borrowing costs were capitalised at rates of approximately 3.14–5.23%, 3.14–5.23%, 5.23–5.70% and 5.23–6.18% per annum for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. We capitalise a significant portion of our finance costs to the extent such costs are directly attributable to the construction of our development projects. Finance costs that are not directly attributable to our development projects are expensed and recorded as finance cost in our profit or loss in the period in which they are incurred.

Share of profits less losses of associates

During the Track Record Period, we held 30% equity interests in associates, namely Gold Concept Development Limited, Asia Image (H.K.) Limited and Henan Julong. We have significant influence, but not control or joint control, over the management, including participation in the financial and operating policy decisions of such associates. We shared profits less losses of such associates during the Track Record Period.

Share of profits less losses of joint ventures

During the Track Record Period, we jointly controlled the management, including participation in the financial and operating policy decisions, of joint ventures, namely Well Kong Investments Limited, Well Kong (H.K.) Limited and Huizhou Well Kong. We shared profits less losses of such joint ventures during the Track Record Period.

Income tax

The following table sets out a breakdown of our income tax expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(unaudited)	
Current tax					
— Provision for corporate income tax ("**CIT**")	9,611	42,705	26,487	1,845	12,800
— Provision for LAT	9,703	7,407	32,930	2,047	32,551
Sub-total	19,314	50,112	59,417	3,892	45,351
Deferred tax	(6,286)	5,564	5,193	(1,849)	5,855
Total	13,028	55,676	64,610	2,043	51,206

CIT

Our subsidiaries in the PRC are subject to CIT in the PRC. Under the Corporate Income Tax Law and its implementation rules, the statutory tax rate for all of our PRC subsidiaries has been unified to 25.0% during the Track Record Period.

Our effective tax rate for CIT (calculated as CIT expenses divided by profit before tax excluding LAT expenses) amounted to approximately (99.7)%, 26.9%, 29.2% and 32.0% for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively.

Hong Kong profits tax

No provision is made for Hong Kong profits tax during the Track Record Period as there is no assessable profits of our subsidiaries in Hong Kong during the Track Record Period.

Cayman Islands and BVI income tax

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. Our direct subsidiaries in the BVI was incorporated under the BVI Business Companies Act of the British Virgin Islands and is exempted from BVI income tax.

LAT

LAT is levied on properties developed by us for sale, at progressive rates ranging from 30% to 60% on the appreciation of real property value, which under the applicable regulations is calculated based on the proceeds of sale of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant development costs.

Our effective tax rate for LAT (calculated as LAT expenses divided by gross profit) amounted to approximately 20.6%, 3.3%, 16.0% and 26.4% for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. The decrease in our effective tax rate for LAT for the year ended 31 December 2016 was primarily due to the fact that the sale of properties for Sunshine New Court Phase 2 and certain properties of Million Cities Legend Phase 1 in 2016 were not subject to LAT.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there are no matters in dispute or unresolved with the relevant tax authorities.

Effects of currency fluctuation on translation

We conduct our business mainly in Renminbi, while the financial statements of our Hong Kong and overseas subsidiaries are presented in Hong Kong dollars. During the three years ended 31 December 2017 and the six months ended 30 June 2018, our exchange gain/(loss) on translation of financial statements of Hong Kong and overseas subsidiaries amounted to approximately RMB(34.8) million, RMB(42.2) million, RMB47.0 million, and RMB(6.5) million, respectively. In preparing our consolidated financial statements, the results of operation and financial conditions of our operating subsidiaries in Hong Kong and in overseas are translated into Renminbi at the prevailing exchange rates. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates as at 31 December 2015, 2016, 2017 and 30 June 2018. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Fluctuations in the exchange rates between the Renminbi and the Hong Kong dollars impact our other comprehensive income which will be included in our exchange reserve and, depending on the magnitude of these fluctuations, could obscure the underlying trends that would have been apparent if our consolidated financial statements had been prepared on a constant currency basis.

We cannot predict how the Renminbi will fluctuate against the Hong Kong dollars in the future, and currency translation or exchange differences may continue to impact our other comprehensive income. We cannot assure you that significant appreciation or depreciation of the Renminbi against the Hong Kong dollars will not occur. Please refer to the sub-paragraph headed "Our financial statements are subject to currency fluctuation on translation." under the paragraph headed "Risks relating to conducting our operations in the PRC" under the section headed "Risk factors" in this prospectus.

DISCUSSION OF RESULTS OF OPERATION

Six months ended 30 June 2018 compared to the six months ended 30 June 2017

The following table sets out the revenue generated from and the cost of sales of each project for the six months ended 30 June 2017 and 2018, respectively:

	Six months ended 30 June											
	2017						2018					
Sale of properties	GFA recognised[1]	Revenue	% to total revenue	Av. selling price per sq.m.	Cost of sales	Av. cost of sales per sq.m. sold[2]	GFA recognised[1]	Revenue	% to total revenue	Av. selling price per sq.m.	Cost of sales	Av. cost of sales per sq.m. sold[2]
	(sq.m.)	(RMB'000) *(unaudited)*	(%)	(RMB/sq.m.)	(RMB'000) *(unaudited)*	(RMB/sq.m.)	(sq.m.)	(RMB'000)	(%)	(RMB/sq.m.)	(RMB'000)	(RMB/sq.m.)
— Million Cities International (萬城國際)	—	—	—	—	—	—	471	6,091	2.3	12,932	1,763	3,743
— Million Cities Legend (萬城名座)	1,666	14,872	28.3	8,927	7,598	4,561	7,952	98,694	37.5	12,411	54,768	6,887
— Sunshine New Court (陽光新苑)	4,374	23,603	45.0	5,396	17,150	3,921	13,907	108,050	41.1	7,769	52,149	3,750
— Million Cities Tycoon Place (萬城聚豪)	1,556	11,850	22.6	7,616	9,026	5,801	2,981	19,762	7.5	6,629	11,388	3,820
— Commercial property in Huizhou, namely Double Stars	—	—	—	—	—	—	—	—	—	—	—	—
— Crown Grand Court (皇冠豪苑)	—	—	—	—	—	—	3,047	28,313	10.8	9,292	18,526	6,080
Sub-total	7,596	50,325	95.9	6,625	33,774	4,446	28,358	260,910	99.2	9,201	138,594	4,887
Gross rentals from operating lease[3]	—	2,153	4.1	—	826	—	—	2,099	0.8	—	1,304	—
		52,478	100.0		34,600			263,009	100.0		139,898	

Notes:

1. GFA recognised refers to areas of properties which are eligible for revenue recognition according to our Group's accounting policy.

2. Average cost of sales per sq.m. sold refers to the average cost of our property sold and is derived by dividing the sum of land use rights costs and development costs for six months by the total GFA recognised in that period.

3. It represents gross rentals from leasing of our investment properties as well as leasing of certain of our developed and unsold properties, including office buildings, car parks and kindergarten.

Revenue — Our revenue increased from approximately RMB52.5 million for the six months ended 30 June 2017 to approximately RMB263.0 million for the six months ended 30 June 2018, representing an increase of approximately 401.2%. The increase in revenue was mainly due to the increase in (i) overall GFA recognised by approximately 273.3% from approximately 7,596 sq.m. for the six months ended 30 June 2017 to approximately 28,358 sq.m. for the six months ended 30 June 2018; and (ii) the average selling price per sq.m. by approximately 38.9% from approximately RMB6,625 per sq.m. for the six months ended 30 June 2017 to approximately RMB9,201 per sq.m. for the six months ended 30 June 2018. It was primarily attributable to the sale of properties in Sunshine New Court Phase 1, Million Cities Legend Phase 2 and Crown Grand Court during the six months ended 30 June 2018.

Cost of sales — Our cost of sales increased from approximately RMB34.6 million for the six months ended 30 June 2017 to approximately RMB139.9 million for the six months ended 30 June 2018, representing an increase of approximately 304.3%. The increase in cost of sales was mainly due to the increase in GFA recognised for the sale of properties in Sunshine New Court Phase 1, Million Cities Legend Phase 2 and Crown Grand Court during the six months ended 30 June 2018.

Gross profit and gross profit margin — Our gross profit increased from approximately RMB17.9 million for the six months ended 30 June 2017 to approximately RMB123.1 million for the six months ended 30 June 2018, representing an increase of approximately RMB105.2 million. Our gross profit margin increased from approximately 34.1% for the six months ended 30 June 2017 to approximately 46.8% for the six months ended 30 June 2018, which was also higher than our gross profit margin of approximately 21.1% for the year ended 31 December 2017. The increase in gross profit and gross profit margin was primarily due to the percentage increase in average selling price per sq.m. sold was larger than the percentage increase in average cost of sales per sq.m. sold during the six months ended 30 June 2018 as compared to those for the six months ended 30 June 2017. The average cost of sales per sq.m. sold increased by approximately 9.9% from approximately RMB4,446 per sq.m. for the six months ended 30 June 2017 to approximately RMB4,887 per sq.m. for the six months ended 30 June 2018; while the average selling price per sq.m. increased by approximately 38.9% from approximately RMB6,625 per sq.m. for the six months ended 30 June 2017 to approximately RMB9,201 per sq.m. for the six months ended 30 June 2018. The increase in gross profit margin for the six months ended 30 June 2018 when compared to that for the year ended 31 December 2017 was mainly due to the increase in average selling price per sq.m. by approximately 20.9%, from approximately RMB7,613 per sq.m. for the year ended 31 December 2017 to approximately RMB9,201 per sq.m. for the six months ended 30 June 2018, while compounded with the decrease in average cost of sales per sq.m. sold by approximately 18.8%, from approximately RMB6,017 per sq.m. to approximately RMB4,887 per sq.m. during the same period. The higher growth in average selling price per sq.m. was mainly due to blooming of property market in Huizhou in Guangdong Province where the prevailing market price of residential properties had increased during the period. Apart from the above, the abovementioned variance in the average selling price per sq.m. and the average cost of sales per sq.m. sold was also due to the difference in the mix of properties sold during the six months ended 30 June 2017 and the six months ended 30 June 2018. Our revenue for the six months ended 30 June 2017 was derived from the sale of our properties in both (i) Tianjin, namely Million Cities Tycoon Place Phases 1 and 2; and (ii) Huizhou in Guangdong Province, namely Million Cities Legend Phase 1 and Sunshine New Court Phase 2, while our revenue for the six months ended 30 June 2018 was mainly derived from the sale of our properties in Huizhou in Guangdong Province, including Million Cities Legend Phase 2, Sunshine New Court Phase 1 and Crown Grand Court. Due to (i) the higher development cost and land acquisition cost for our development projects in Tianjin, as compared with those in Huizhou in Guangdong Province; and (ii) our Group's pricing strategy of selling Million Cities Tycoon Place Phases 1 and 2 with relatively lower markup with the aim to attract more buyers and as part of our strategy to expand our foothold in Tianjin, the gross profit margin of our properties in Tianjin, namely Million Cities Tycoon Place, was generally lower than that of most of our properties in Huizhou in Guangdong Province, namely Sunshine New Court, Million Cities Legend and Million Cities International. As such, the gross profit and gross profit margin of our Group for the six months ended 30 June 2018 was higher than that for the six months ended 30 June 2017, and the gross profit margin for the six months ended 30 June 2018 was higher than that for the year ended 31 December 2017.

Valuation gains on investment properties — As there was no material difference between the measured fair value of our properties as at 31 December 2016 and the same as at 30 June 2017, there was no valuation gains on investment properties during the six months ended 30 June 2017. Valuation gains on investment properties during the six months ended 30 June 2018 amounted to approximately RMB1.4 million, which was driven by market price. For further details regarding the Huizhou property market trend, please refer to the sub-paragraph headed "4.2 Huizhou" under the paragraph headed "4. Overview of the property market in the Greater Bay Area and Huizhou" under the section headed "Industry overview" in this prospectus.

Other net income — Other net income decreased from approximately RMB0.9 million for the six months ended 30 June 2017 to approximately RMB0.6 million for the six months ended 30 June 2018, representing a decrease of approximately 27.6%. The decrease was mainly attributable to a decrease in interest income earned from bank balance of approximately RMB0.2 million as a result of our cessation of investing in financial products during the six months ended 30 June 2018.

Selling expenses — Our selling expenses increased by approximately 60.5% to approximately RMB3.9 million for the six months ended 30 June 2018 from approximately RMB2.4 million for the six months ended 30 June 2017, primarily due to the increase in overall sales commission and office expenses by approximately 44.8% and 243.5% respectively for the sale of our properties, in particular our properties in Million Cities Legend Phase 2.

Administrative expenses — Administrative expenses increased by approximately 57.6% to approximately RMB29.2 million for the six months ended 30 June 2018 from approximately RMB18.5 million for the six months ended 30 June 2017, primarily due to the increase in consultation and audit fees of approximately 644.0% for our preparation for Listing.

Other expenses — Other expenses decreased by approximately 93.1% to approximately RMB0.2 million for the six months ended 30 June 2018 from approximately RMB3.4 million for the six months ended 30 June 2017, which was mainly attributable to the decrease in donations of approximately RMB3.2 million made by our Group for the six months ended 30 June 2018 as we focus on our operation and preparation for Listing for the six months ended 30 June 2018.

Finance costs — Finance costs decreased to approximately RMB40,000 for the six months ended 30 June 2018 from approximately RMB134,000 for the six months ended 30 June 2017, as most of the interests from bank loan and accrued interests from pre-sale proceeds for our development projects were capitalised into inventory.

Share of profits less losses of associates and joint ventures — As our offshore associates were established during the six months ended 30 June 2017, while our major associate, namely Henan Julong, was established only in August 2017, we did not share much loss of our associates as there were not much operations during the six months ended 30 June 2017. On the other hand, since there were preparation works of the development of Dragon Palace Phases 1 and 2 by Henan Julong during the six months ended 30 June 2018, our share of losses in our associates increased to approximately RMB0.8 million for the six months ended 30 June 2018. Similarly, as our major joint venture, namely Huizhou Well Kong, commenced preparation works for the development of Million Cities Tonghu Centre and Dragon Terrace in the second half of 2017, our share of profits of approximately RMB17,000 for the six months ended 30 June 2017 from interest income turned into share of losses of approximately RMB181,000 for the six months ended 30 June 2018.

Income tax — Income tax increased by approximately RMB49.2 million to approximately RMB51.2 million for the six months ended 30 June 2018 from approximately RMB2.0 million for the six months ended 30 June 2017. Such increase was due to the increase in taxable income.

Profit/(loss) for the period — Without any of our development projects being pre-sold or completed during the six months ended 30 June 2017, our revenue for the six months ended 30 June 2017 was not sufficient to cover the cost incurred during the same period. Thus, there was a loss of approximately RMB7.8 million for the six months ended 30 June 2017. As we delivered our properties in Sunshine New Court Phase 1 in March 2018, and commenced the pre-sale of Million Cities Legend Phase 2 and Crown Grand Court in January 2018 and May 2018, respectively, there was an increase in our revenue during the six months ended 30 June 2018, where we managed to turnaround our loss of approximately RMB7.8 million for the six months ended 30 June 2017 to profit of approximately RMB39.6 million for the six months ended 30 June 2018.

Total comprehensive income for the period — Despite our loss making of approximately RMB7.8 million for the six months ended 30 June 2017, there was exchange gains on translation of financial statements of Hong Kong and overseas subsidiaries of approximately RMB21.1 million for the six months ended 30 June 2017, our total comprehensive income for the six months ended 30 June 2017 amounted to approximately RMB13.3 million. On the other hand, as there was exchange loss of approximately RMB6.5 million for the six months ended 30 June 2018, our total comprehensive income for the six months ended 30 June 2018 decreased to approximately RMB33.1 million.

Year ended 31 December 2017 compared to year ended 31 December 2016

The following table sets out the revenue generated from and the cost of sales of each project for the year ended 31 December 2016 and 2017, respectively:

	Year ended 31 December											
	2016						2017					
Sale of properties	GFA recognised(1)	Revenue	% to total revenue	Av. selling price per sq.m.	Cost of sales	Av. cost of sales per sq.m. sold(2)	GFA recognised(1)	Revenue	% to total revenue	Av. selling price per sq.m.	Cost of sales	Av. cost of sales per sq.m. sold(2)
	(sq.m.)	(RMB'000)	(%)	(RMB/sq.m.)	(RMB'000)	(RMB/sq.m.)	(sq.m.)	(RMB'000)	(%)	(RMB/sq.m.)	(RMB'000)	(RMB/sq.m.)
— Million Cities International (萬城國際)	1,866	13,915	1.6	7,458	7,234	3,877	—	—	—	—	—	—
— Million Cities Legend (萬城名座)	88,978	541,047	60.5	6,081	405,984	4,563	2,353	22,413	2.3	9,524	10,740	4,564
— Sunshine New Court (陽光新苑)	60,766	315,417	35.3	5,191	238,214	3,920	6,697	41,638	4.3	6,217	25,745	3,845
— Million Cities Tycoon Place (萬城聚豪)	2,607	20,848	2.2	7,996	15,126	5,801	116,129	876,952	90.1	7,552	717,702	6,180
— Commercial property in Huizhou, namely Double Stars	—	—	—	—	—	—	2,118	28,053	2.9	13,246	11,800	5,572
Sub-total	154,217	891,227	99.6	5,779	666,558	4,322	127,297	969,056	99.6	7,613	765,987	6,017
Gross rentals from operating lease(3)	—	3,557	0.4	—	1,558	—	—	4,037	0.4	—	1,693	—
Total		894,784	100.0		668,116			973,093	100.0		767,680	

Notes:

1. GFA recognised refers to areas of properties which are eligible for revenue recognition according to our Group's accounting policy.

2. Average cost of sales per sq.m. sold refers to the average cost of our property sold and is derived by dividing the sum of land use rights costs and development costs for a year by the total GFA recognised in that year.

3. It represents gross rentals from leasing of our investment properties as well as leasing of certain of our developed and unsold properties, including office buildings, car parks and kindergarten.

Revenue — Our revenue increased from approximately RMB894.8 million for the year ended 31 December 2016 to approximately RMB973.1 million for the year ended 31 December 2017, representing an increase of approximately 8.8%. The increase in revenue was mainly due to increase in average selling price per sq.m. recognised in 2017, which offset the overall decrease in GFA recognised. This is primarily attributable to the sale of our properties of Million Cities Tycoon Place Phases 1 and 2 in Tianjin in 2017, which accounted for approximately 90.1% of our revenue in 2017 with higher average selling price of approximately RMB7,552 per sq.m.. Whereas the sale of our properties of Sunshine New Court Phase 2 and Million Cities Legend Phase 1 accounted for approximately 35.3% and 60.5% of our revenue in 2016 respectively, and their respective average selling price were lower, amounting approximately RMB5,191 per sq.m. and RMB6,081 per sq.m., respectively.

In addition, we recognised the sale of two units of Double Stars, a commercial property which we acquired, amounting to approximately RMB28.1 million in 2017.

Cost of sales — Our cost of sales increased from approximately RMB668.1 million for the year ended 31 December 2016 to approximately RMB767.7 million for the year ended 31 December 2017, representing an increase of approximately 14.9%. It was mainly attributable to the increase in average cost of sales per sq.m. for our development projects from approximately RMB4,322 per sq.m. for the year ended 31 December 2016 to approximately RMB6,017 per sq.m. for the year ended 31 December 2017. This was because the development cost and land acquisition cost were higher for our development project in Tianjin, namely Million Cities Tycoon Place Phases 1 and 2, than that in Huizhou in Guangdong Province resulting in the increase in cost of sales for the year ended 31 December 2017 when most of our sale of Million Cities Tycoon Place Phases 1 and 2 were recognised in 2017. Cost of sales in 2017 also included disposal of Double Stars of during the year.

Gross profit and gross profit margin — Our gross profit decreased from approximately RMB226.7 million for the year ended 31 December 2016 to approximately RMB205.4 million for the year ended 31 December 2017, representing a decrease of approximately 9.4%. Our gross profit margin decreased from approximately 25.3% for the year ended 31 December 2016 to approximately 21.1% for the year ended 31 December 2017. The decrease was mainly attributable to (i) higher land acquisition cost and development cost for our development projects in Tianjin, as compared with those in Huizhou in Guangdong Province; and (ii) our Group's pricing strategy and marketing approach of selling Million Cities Tycoon Place Phases 1 and 2 with relatively less markup, aligning with our strategy to expand our foothold in Tianjin.

Valuation gains on investment properties — Valuation gains on investment properties decreased from approximately RMB2.0 million for the year ended 31 December 2016 to approximately RMB1.7 million for the year ended 31 December 2017, representing a decrease of approximately 16.5%. The valuation gain was driven by market price. For further details regarding the Huizhou property market trend, please refer to the sub-paragraph headed "4.2 Huizhou" under the paragraph headed "4. Overview of the property market in the Greater Bay Area and Huizhou" under the section headed "Industry overview" in this prospectus.

Other net income — Other net income decreased from approximately RMB2.7 million for the year ended 31 December 2016 to approximately RMB1.8 million for the year ended 31 December 2017, representing a decrease of approximately 32.1%. The decrease was mainly attributable to a decrease in interest income earned from bank balance of approximately RMB0.7 million as a result of the decrease in average bank balance during the same period.

Selling expenses — Our selling expenses increased by approximately 31.6% to approximately RMB21.4 million for the year ended 31 December 2017 from approximately RMB16.2 million for the year ended 31 December 2016, primarily due to increase in sales commission expenses by approximately 235.2%, mostly being recognised for the sale of Million Cities Tycoon Place Phases 1 and 2 in 2017. Since the expansion of our business to Tianjin, the sale of Million Cities Tycoon Place Phases 1 and 2 was our first project in Tianjin. We procured more sales channels and resources from local sales agents to sell most of our properties for Million Cities Tycoon Place Phases 1 and 2.

Administrative expenses — Administrative expenses increased by approximately 42.0% to approximately RMB38.9 million for the year ended 31 December 2017 from approximately RMB27.4 million for the year ended 31 December 2016, primarily due to (i) the increase of staff costs by approximately 58.3% as a result of our business expansion and for the preparation of Listing; and (ii) the increase of the consultation and audit fees incurred in relation to the preparation of Listing in 2017 by approximately 257.0%.

Other expenses — Other expenses increased by approximately 861.5% to approximately RMB6.7 million for the year ended 31 December 2017, as compared to approximately RMB0.7 million for the year ended 31 December 2016, which was mainly due to the increase in donations of approximately RMB6.0 million made by our Group for the year ended 31 December 2017. The donations was mostly made to 惠州市港澳慈善基金會 (Huizhou Hong Kong-Macau Charity Foundation*), a PRC governmental approved charitable organisation.

Finance costs — Finance costs decreased by approximately 44.8% to approximately RMB0.2 million for the year ended 31 December 2017 as compared to the finance costs of approximately RMB0.4 million for the year ended 31 December 2016, which was primarily due to the capitalisation of accrued interest of pre-sale proceeds of approximately RMB25.1 million for the pre-sale of Million Cities Tycoon Place Phases 1 and 2 before the construction of such development project was completed in late 2017.

Share of profits less losses of associates and joint ventures — We shared loss of approximately RMB0.3 million for the year ended 31 December 2017 for Henan Julong. Such share of loss of an associate was mainly due to the incurrence of administrative cost of

* *For identification purpose only*

our newly set-up associate in 2017, namely Henan Julong, for our development project, namely Dragon Palace Phases 1 and 2. The development project will commence construction in 2018 and did not generate revenue for 2017.

Income tax — Income tax increased by approximately 16.0% to approximately RMB64.6 million for the year ended 31 December 2017 from approximately RMB55.7 million for the year ended 31 December 2016. Such increase was due to the increase in profit before tax between 2016 and 2017.

Profit for the year — As a result of the foregoing reasons, our profit decreased by approximately 41.4% to approximately RMB76.8 million for the year ended 31 December 2017 from a profit of approximately RMB131.0 million for the year ended 31 December 2016.

Total comprehensive income for the year — As there were exchange gains on translation of financial statements of Hong Kong and overseas subsidiaries of approximately RMB47.0 million for the year ended 31 December 2017, instead of exchange loss of approximately RMB42.2 million for the year ended 31 December 2016, our total comprehensive income for the year ended 31 December 2017 increased by approximately 39.5% from approximately RMB88.7 million for the year ended 31 December 2016 to approximately RMB123.8 million for the year ended 31 December 2017.

Year ended 31 December 2016 compared to year ended 31 December 2015

The following table sets out the revenue generated from and the cost of sales of each project for the year ended 31 December 2015 and 2016, respectively:

	Year ended 31 December											
	2015						2016					
Sale of properties	GFA recognised[(1)]	Revenue	% of total revenue	Av. selling price per sq.m.	Cost of sales	Av. cost of sales per sq.m. sold[(2)]	GFA recognised[(1)]	Revenue	% of total revenue	Av. selling price per sq.m.	Cost of sales	Av. cost of sales per sq.m. sold[(2)]
	(sq.m.)	(RMB'000)	(%)	(RMB/sq.m.)	(RMB'000)	(RMB/sq.m.)	(sq.m.)	(RMB'000)	(%)	(RMB/sq.m.)	(RMB'000)	(RMB/sq.m.)
— Million Cities International (萬城國際)	2,464	14,968	25.6	6,075	11,369	4,614	1,866	13,915	1.6	7,458	7,234	3,877
— Million Cities Legend (萬城名座)	5,502	31,664	54.1	5,755	24,938	4,533	88,978	541,047	60.5	6,081	405,984	4,563
— Sunshine New Court (陽光新苑)	1,163	5,596	9.6	4,811	4,525	3,890	60,766	315,417	35.3	5,191	238,214	3,920
— Million Cities Tycoon Place (萬城聚豪)	184	916	1.6	4,977	1,068	5,802	2,607	20,848	2.2	7,996	15,126	5,801
Sub-total	9,313	53,144	90.9	5,706	41,900	4,499	154,217	891,227	99.6	5,779	666,558	4,322
Gross rentals from operating lease[(3)]	—	5,338	9.1	—	981	—	—	3,557	0.4	—	1,558	—
Total		58,482	100.0		42,881			894,784	100.0		668,116	

Notes:

1. GFA recognised refers to areas of properties which are eligible for revenue recognition according to our Group's accounting policy.

2. Average cost of sales per sq.m. sold refers to the average cost of our property sold and is derived by dividing the sum of land use rights costs and development costs for a year by the total GFA recognised in that year.

3. It represents gross rentals from leasing of our investment properties as well as leasing of certain of our developed and unsold properties, including office buildings, car parks and kindergarten.

Revenue — Our revenue increased from approximately RMB58.5 million for the year ended 31 December 2015 to approximately RMB894.8 million for the year ended 31 December 2016, representing an increase of approximately 1,430.0%. The increase in revenue was mainly attributable to the increase in GFA recognised for development projects from approximately 9,313 sq.m. for the year ended 31 December 2015 to approximately 154,217 sq.m. for the year ended 31 December 2016, representing an increase of approximately 1,555.9%, which was mainly due to the revenue derived from sale of Million Cities Legend Phase 1 and Sunshine New Court Phase 2 was recognised in 2016.

Cost of sales — Our cost of sales increased from approximately RMB42.9 million for the year ended 31 December 2015 to approximately RMB668.1 million for the year ended 31 December 2016, representing an increase of approximately 1,458.1%. The increase in cost of sales was mainly attributable to the increase in development costs by approximately 1,451.2% between 2015 and 2016 primarily as a result of the recognition of cost of sales for Million Cities Legend Phase 1 and Sunshine New Court Phase 2 as they were delivered to the purchasers in 2016.

Gross profit and gross profit margin — As a result of the forgoing, the gross profit increased from approximately RMB15.6 million for the year ended 31 December 2015 to approximately RMB226.7 million for the year ended 31 December 2016, representing an increase of approximately 1,352.9%. Our gross profit margin decreased from approximately 26.7% for the year ended 31 December 2015 to approximately 25.3% for the year ended 31 December 2016. This was mainly attributable to the change of product mix in 2015 and 2016. In 2015, our gross rentals from operating lease attributed higher portion of our revenue as compared to the same in 2016. The gross profit from operating lease carried higher gross margin of approximately 81.6%. Since the gross profit from operating lease accounted for approximately 27.9% of our total gross profit, it significantly improved our overall gross margin of the year, despite a lower gross profit margin from sale of properties amounting to approximately 21.2% in 2015. In 2016, the gross profit was mainly generated from sale of properties, which accounted for approximately 99.1% of our total gross profit in 2016, whereas the gross profit from operating lease accounted for approximately 0.9% in 2016, thus lowered the overall gross profit margin of the year.

Valuation gains on investment properties — Valuation gains on investment properties increased from approximately RMB0.1 million for the year ended 31 December 2015 to approximately RMB2.0 million for the year ended 31 December 2016. The valuation gain was driven by market price of our investment property in Huizhou in Guangdong Province. For further details regarding the Huizhou property market trend, please refer to the sub-paragraph headed "4.2 Huizhou" under the paragraph headed "4. Overview of the property market in the Greater Bay Area and Huizhou" under the section headed "Industry overview" in this prospectus.

Other net income — Other net income decreased from approximately RMB33.5 million for the year ended 31 December 2015 to approximately RMB2.7 million for the year ended 31 December 2016, representing a decrease of approximately 91.9%. The decrease was mainly attributable to the disposal of investment property in Shenzhen in 2015, which amounted to a net gain of approximately RMB31.4 million, whereby there was no disposal of such kind in 2016.

Selling expenses — Our selling expenses increased by approximately 28.4% to approximately RMB16.2 million for the year ended 31 December 2016 from approximately RMB12.7 million for the year ended 31 December 2015, primarily due to the sales commission incurred for Sunshine New Court Phase 2 and Million Cities Legend Phase 1 as the development projects were delivered in 2016, whereby the sales commission paid were recognised.

Administrative expenses — Administrative expenses remained stable at approximately RMB27.4 million for the year ended 31 December 2016 and approximately RMB28.3 million for the year ended 31 December 2015.

Other expenses — Other expenses increased from approximately RMB38,000 for the year ended 31 December 2015 to approximately RMB697,000 for the year ended 31 December 2016, which was mainly due to the increase in donations of approximately RMB0.5 million made by our Group to 惠州市港澳慈善基金會 (Huizhou Hong Kong-Macau Charity Foundation*), a PRC governmental approved charitable organisation in 2016.

Finance costs — Finance costs decreased by approximately 78.7% to approximately RMB0.4 million for the year ended 31 December 2016 as compared to the finance costs of approximately RMB1.9 million for the year ended 31 December 2015, which was primarily due to the interest cost of the bank loan for the development of Legend Plaza was expensed as finance costs in 2015 and the construction of Legend Plaza was not commenced until late 2015.

Income tax — Income tax increased by approximately 327.4% to approximately RMB55.7 million for the year ended 31 December 2016 from approximately RMB13.0 million for the year ended 31 December 2015. Such increase was mainly due to the increase in CIT which was in line with the increase in profit before taxation in 2016.

* *For identification purpose only*

(Loss)/profit for the year — We recorded a loss of approximately RMB6.7 million for the year ended 31 December 2015. The loss was mainly attributable to the fact that no development project was completed during the year ended 31 December 2015. Given that (i) the pre-sale period of Million Cities Tycoon Place Phases 1 and 2 and Sunshine New Court Phase 2 commenced in the second half of the year ended 31 December 2015; and (ii) the advertisement and marketing expenses in connection with development project were generally incurred and recognised during or before the pre-sale period, the advertisement and marketing expenses, which are part of our selling expenses, accrued during the year ended 31 December 2015 was approximately RMB8.4 million, which was the highest during the Track Record Period. With the gross profit of approximately RMB15.6 million and the selling expenses of approximately RMB12.7 million during the year ended 31 December 2015, we recorded a loss for the year ended 31 December 2015.

As a result of the foregoing reasons set out in the sub-paragraph headed "Year ended 31 December 2016 compared to year ended 31 December 2015" under the paragraph headed "Discussion of results of operation" in this section, our loss of approximately RMB6.7 million for the year ended 31 December 2015 became profit of approximately RMB131.0 million for the year ended 31 December 2016.

Total comprehensive income for the year — There was an increase in exchange losses on translation of financial statements of Hong Kong and overseas subsidiaries from approximately RMB34.8 million for the year ended 31 December 2015 to approximately RMB42.2 million for the year ended 31 December 2016, and our total comprehensive income of approximately RMB(41.4) million for the year ended 31 December 2015 turned to approximately RMB88.7 million for the year ended 31 December 2016.

NET CURRENT ASSETS

Set out below our current assets and current liabilities as at the financial period end dates and as at 30 June 2018:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories and other contract costs	1,527,591	1,396,490	1,267,255	1,442,405	1,566,499
Trade and other receivables	126,175	271,927	231,596	227,158	166,539
Other financial assets	32,333	35,000	40,000	—	—
Pledged and restricted deposits	59,365	155,575	27,519	149,952	350,344
Cash and cash equivalents	54,945	105,372	94,172	474,492	740,342
	1,800,409	1,964,364	1,660,542	2,294,007	2,823,724
Current liabilities					
Bank loans	62,369	—	299,317	364,504	324,154
Contract liabilities	389,118	730,339	71,281	652,691	1,307,256
Trade and other payables	1,316,504	1,101,448	1,183,671	1,193,274	1,099,746
Tax payable	23,990	46,518	56,029	47,311	71,230
	1,791,981	1,878,305	1,610,298	2,257,780	2,802,386
Net current assets	8,428	86,059	50,244	36,227	21,338

Our net current asset increased from approximately RMB8.4 million as at 31 December 2015 to approximately RMB86.1 million as at 31 December 2016 was primarily attributable to (i) an increase in trade and other receivables of approximately RMB145.8 million; (ii) an increase in other financial assets of approximately RMB2.7 million; (iii) an increase in pledged and restricted deposits of approximately RMB96.2 million; (iv) an increase in cash and cash equivalents of approximately RMB50.4 million; (v) a decrease in bank loans of approximately RMB62.4 million; and (vi) a decrease in trade and other payables of approximately RMB215.1 million, offset by (a) a decrease in inventories and other contract costs of approximately RMB131.1 million; (b) an increase in contract liabilities of approximately RMB341.2 million; and (c) an increase in tax payable of approximately RMB22.5 million.

Our net current assets decreased by approximately RMB35.8 million from approximately RMB86.1 million as at 31 December 2016 to approximately RMB50.2 million as at 31 December 2017. Such decrease was primarily attributable to (i) a decrease in inventories and other contract costs of approximately RMB129.2 million; (ii) a decrease in trade and other receivables of approximately RMB40.3 million; (iii) a decrease in pledged and restricted deposits of approximately RMB128.1 million; (iv) a decrease in cash and cash equivalents of approximately RMB11.2 million; (v) an increase in bank loans of approximately RMB299.3 million; (vi) an increase in trade and other payables of approximately RMB82.2 million; (vii) an increase in tax payable of approximately RMB9.5 million, offset by (a) an increase in other financial assets of approximately RMB5.0 million; and (b) a decrease in contract liabilities of approximately RMB659.1 million.

Our net current assets decreased by approximately RMB14.0 million from approximately RMB50.2 million as at 31 December 2017 to approximately RMB36.2 million as at 30 June 2018, was primarily attributable to (i) an increase in bank loans of approximately RMB65.2 million; (ii) an increase in contract liabilities of approximately RMB581.4 million; (iii) an increase in trade and other payables of approximately RMB9.6 million; (iv) a decrease in trade and other receivables of approximately RMB4.4 million; and (v) a decrease in other financial assets of approximately RMB40.0 million, offset by (a) a decrease in tax payable of approximately RMB8.7 million; (b) an increase in inventories and other contract costs of approximately RMB175.2 million; (c) an increase in pledged and restricted deposits of approximately RMB122.4 million; and (d) an increase in cash and cash equivalents of approximately RMB380.3 million.

Our net current assets decreased by approximately RMB14.9 million from approximately RMB36.2 million as at 30 June 2018 to approximately RMB21.3 million as at 31 October 2018, was primarily attributable to (i) a decrease in trade and other receivables of approximately RMB60.6 million; (ii) an increase in contract liabilities of approximately RMB654.6 million; (iii) an increase in tax payable of approximately RMB23.9 million, offset by (a) an increase in inventories and other contract costs of approximately RMB124.1 million; (b) an increase in pledged and restricted deposits of approximately RMB200.4 million; (c) an increase in cash and cash equivalents of approximately RMB265.9 million; (d) a decrease in bank loans of approximately RMB40.4 million; and (e) a decrease in trade and other payables of approximately RMB93.5 million.

CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS

Our consolidated financial positions as at the relevant financial period end dates during the Track Record Period are summarised as below:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	14,805	29,492	61,582	59,825
Investment properties	26,210	28,210	29,880	31,300
Interest in associates	—	—	87,078	106,220
Interest in joint ventures	—	—	43,956	55,775
Deferred tax assets	10,274	5,338	1,352	2,363
	51,289	63,040	223,848	255,483
Current assets				
Inventories and other contract costs	1,527,591	1,396,490	1,267,255	1,442,405
Trade and other receivables	126,175	271,927	231,596	227,158
Other financial assets	32,333	35,000	40,000	—
Pledged and restricted deposits	59,365	155,575	27,519	149,952
Cash and cash equivalents	54,945	105,372	94,172	474,492
	1,800,409	1,964,364	1,660,542	2,294,007
Total assets	1,851,698	2,027,404	1,884,390	2,549,490
Current liabilities				
Bank loans	62,369	—	299,317	364,504
Contract liabilities	389,118	730,339	71,281	652,691
Trade and other payables	1,316,504	1,101,448	1,183,671	1,193,274
Tax payable	23,990	46,518	56,029	47,311
	1,791,981	1,878,305	1,610,298	2,257,780
Net current assets	8,428	86,059	50,244	36,227
Total assets less current liabilities	59,717	149,099	274,092	291,170
Non-current liabilities				
Deferred tax liabilities	4,322	4,950	6,157	13,023
Payables to related parties	—	—	—	65,443
	4,322	4,950	6,157	78,466
Net assets	55,395	144,149	267,935	213,244

Property, plant and equipment

Our property, plant and equipment included land and buildings, office equipment, motor vehicles, and electronic and other equipment. The net book value of our property, plant and equipment was approximately RMB14.8 million, RMB29.5 million, RMB61.6 million and RMB59.8 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. The balance increased from approximately RMB14.8 million as at 31 December 2015 to approximately RMB29.5 million as at 31 December 2016, representing an increase of approximately 99.2%. Such increase was primarily due to completion of the construction of the club house of Million Cities Legend Phase 1, which our Group decided to use it for operational purpose. Our property, plant and equipment further increased by approximately 108.8% from approximately RMB29.5 million as at 31 December 2016 to approximately RMB61.6 million as at 31 December 2017. Such increase was primarily due to completion of construction of the club houses of Million Cities Tycoon Place Phases 1 and 2. The club houses were then recognised as property, plant and equipment and the remaining development cost was transferred from inventory, as the designated use of such club houses was for operational purpose instead of properties held for sale. The balance decreased from approximately RMB61.6 million as at 31 December 2017 to approximately RMB59.8 million as at 30 June 2018. Such decrease was primarily due to the depreciation of our property, plant and equipment.

Investment properties

With our expertise in local property market conditions and our sales and marketing capabilities on property developments accumulated over the years, we have selectively acquired properties with potential investment returns by us and we leased out these investment properties under operating leases. The fair value of our investment properties increased from approximately RMB26.2 million as at 31 December 2015 to approximately RMB28.2 million as at 31 December 2016, further increased to approximately RMB29.9 million as at 31 December 2017 and further increased to approximately RMB31.3 million as at 30 June 2018, which was due to the appreciation of the property price.

Interest in associates

In 2017, we developed development projects by establishing associates with third-party business partners. As at 31 December 2015, 2016 and 2017 and as at 30 June 2018, our interest in associates amounted to nil, nil, approximately RMB87.1 million and RMB106.2 million, respectively. The increase in our interests in associates as at 31 December 2017 and 30 June 2018 was primarily due to our 30% shareholding interest in Gold Concept Development Limited, which wholly owns Asia Image (H.K.) Limited. Asia Image (H.K.) Limited wholly owns Henan Julong, which is our project company for Dragon Palace Phases 1 and 2. For more details about our associates, see note 16 to the Accountants' Report as set out in Appendix I to this prospectus.

Interest in joint ventures

Apart from establishing associates, we also developed development projects by establishing joint ventures with third-party business partners. As at 31 December 2015, 2016 and 2017 and 30 June 2018, our interest in joint ventures amounted to nil, nil, approximately RMB44.0 million and RMB55.8 million, respectively. The increase in our interest in joint ventures as at 31 December 2017 and 30 June 2018 was primarily due to our 50% shareholding interest in Well Kong Investments Limited, which wholly owns Well Kong (H.K.) Limited. Well Kong (H.K.) Limited wholly owns Huizhou Well Kong, which is our project company for Million Cities Tonghu Centre and Dragon Terrace Phases 1 and 2. For more details about our joint ventures, see note 17 to the Accountants' Report as set out in Appendix I to this prospectus.

Inventories and other contract costs

Our inventories included (i) our properties held for development; (iii) our properties under development; and (iii) our completed properties for sale. Our inventories represented the direct costs for construction of our development projects, which were mainly made up of (i) land use rights costs; and (ii) development costs. Please refer to the sub-paragraph headed "Cost of sales" under the paragraph headed "Consolidated statements of profit or loss" in this section for further details of the costs incurred in property development.

Upon obtaining the relevant land use rights certificates for development projects and before obtaining the relevant works commencement permits, all the costs we incurred will be recorded as our properties held for development. Upon obtaining the relevant construction works commencement permits, the relevant accumulated capitalised costs will be transferred from properties held for development to properties under development. Upon the issuance of the relevant completion certificates, the relevant accumulated costs will be transferred from properties under development to completed properties for sale.

The table below sets out a breakdown of our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Inventories				
Properties held for development	246,628	284,161	169,221	151,369
Properties under development	1,064,539	668,907	572,225	829,269
Completed properties for sale	212,367	430,952	525,809	459,988
Sub-total	1,523,534	1,384,020	1,267,255	1,440,626
Other contract costs	4,057	12,470	—	1,779
Total	1,527,591	1,396,490	1,267,255	1,442,405

Properties held for development

Our properties held for development represent payments made in connection with acquisition of land parcels whereby the land use right certificates have been obtained but the works commencement permits has not yet been obtained. Our properties held for development increased by approximately 15.2% from approximately RMB246.6 million as at 31 December 2015 to approximately RMB284.2 million as at 31 December 2016, primarily due to the land acquisition cost and other pre-construction costs incurred in 2016 in relation to Million Cities Legend Phase 2 prior to its construction commencement in 2017, amounting to approximately RMB34.1 million. Our properties held for development decreased by approximately 40.4% from approximately RMB284.2 million as at 31 December 2016 to approximately RMB169.2 million as at 31 December 2017, respectively. Such decreases in properties held for development was mainly due to property development activities over land parcels we acquired earlier, namely Million Cities Legend Phase 2 and Crown Grand Court in 2017. Our properties held for development decreased by approximately 10.5% from approximately RMB169.2 million as at 31 December 2017 to approximately RMB151.4 million as at 30 June 2018. Such decrease was mainly due to commencement of construction of Million Cities Legend Phase 3 and Million Cities Tycoon Place Phase 4 during the six months ended 30 June 2018.

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 (i) land acquisition costs; (ii) construction costs; and (iii) capitalised interests and other costs directly attributable to such development projects incurred during the development period, and net realisable value. Upon completion, the properties are transferred to completed properties for sale. Our properties under development decreased by approximately 37.2% from approximately RMB1,064.5 million as at 31 December 2015 to approximately RMB668.9 million as at 31 December 2016, primarily due to completion of (i) Million Cities Legend Phase 1; and (ii) Sunshine New Court Phase 2 in 2016. Our properties under development decreased by approximately 14.5% from approximately RMB668.9 million as at 31 December 2016 to approximately RMB572.2 million as at 31 December 2017, primarily due to completion of Million Cities Tycoon Place Phases 1 and 2. With the continuous construction of Million Cities Legend Phase 2 and Crown Grand Court as well as the commencement of the construction of Million Cities Legend Phase 3 and Million Cities Tycoon Place Phase 4 during the six months ended 30 June 2018, our properties under development increased by approximately 44.9% to approximately RMB829.3 million as at 30 June 2018.

As at 31 October 2018, none of our properties under development as at 30 June 2018, was transferred to completed properties for sale.

Completed properties for sale

Completed properties for sale represent completed properties remaining unsold at the end of each financial period and are stated at the lower of cost and net realisable value. Cost of completed properties for sale is determined by an apportionment of related costs incurred attributable to the unsold properties. Net realisable value is determined with reference to the sales proceeds of properties sold in ordinary course of business, less applicable selling expense, or by management estimates of the estimated selling prices based on prevailing market conditions. Our completed properties for sale increased by approximately 102.9% from approximately RMB212.4 million as at 31 December 2015 to approximately RMB431.0 million as at 31 December 2016, primarily due to unsold properties of (i) Million Cities Legend Phase 1; and (ii) Sunshine New Court Phase 2 both completed in 2016. Our completed properties for sale further increased by approximately 22.0% from approximately RMB431.0 million as at 31 December 2016 to approximately RMB525.8 million as at 31 December 2017, primarily due to unsold properties of Million Cities Tycoon Place Phases 1 and 2 completed in 2017. Our completed properties for sale decreased by approximately 12.5% from approximately RMB525.8 million as at 31 December 2017 to approximately RMB460.0 million as at 30 June 2018, primarily due to continuous sale of our completed properties of Million Cities International Phases 2 and 3, Million Cities Legend Phase 1, Sunshine New Court Phases 1 and 2 and Million Cities Tycoon Place Phases 1 and 2 during the six months ended 30 June 2018, without any development project being completed during the same period. We have obtained the construction completion certificates in respect of all completed properties held by us for sale.

As at 31 October 2018, approximately RMB97.1 million, representing approximately 0.7% of our inventories as of 30 June 2018 was subsequently sold.

The following table sets out our inventory turnover days during the Track Record Period:

	For the year ended 31 December			Six months ended 30 June
	2015	**2016**	**2017**	**2018**
Inventory turnover days	10,537	794	630	1,742

Note: Inventory turnover days for each one-year/six-month period equal the average of the beginning and ending inventories for that year/period divided by cost of sales and multiplied by 365/180 days.

Our inventory turnover days were approximately 10,537 days in 2015 as none of our development projects were completed in 2015. Our inventory turnover days decreased from approximately 10,537 days in 2015 to approximately 794 days in 2016, and further decreased to approximately 630 days in 2017. Such decrease in inventory turnover days was due to the significant increase in our sales in 2016 and 2017. Our inventory turnover days increased from approximately 630 days in 2017 to approximately 1,742 days for the six months ended 30 June 2018, primarily due to the significant increase in our properties under development with the continuous construction of Million Cities Legend Phase 2 and Crown Grand Court and the commencement of construction of Million Cities Legend Phase 3 and Million Cities Tycoon Phase 4 during the six months ended 30 June 2018.

Other contract costs

We engaged sales agent to promote and sell Million Cities Legend Phase 1 in 2015 and those properties were delivered to the purchasers in 2016. Thus, the relevant sales commissions were capitalised as other contract costs amounting to approximately RMB4.1 million as at 31 December 2015 and such contract costs were subsequently recognised as part of selling expenses when the revenue of such development project was recognised. For the year ended 31 December 2016, approximately RMB0.8 million of the capitalised costs were recognised as selling expenses. We also engaged sales agents to promote and sell Million Cities Tycoon Place Phases 1 and 2 in late 2015 and 2016, resulting in our other contract costs further increased to approximately RMB12.5 million as at 31 December 2016. Sale of properties of such development projects were recognised to purchasers in 2017, such capitalised costs of approximately RMB12.5 million were recognised as selling expenses for the year ended 31 December 2017. As we engaged sales agents to promote and sell Million Cities Legend Phase 2 during the six months ended 30 June 2018, our other contract costs increased to approximately RMB1.8 million as at 30 June 2018.

Trade and other receivables

The following table sets out a breakdown of our trade and other receivables as at the end of the reporting period:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors				
— Sales of properties	1,259	1,366	5,969	6,405
— Gross rentals from operating lease	—	314	333	314
	1,259	1,680	6,302	6,719
Other debtors	11,474	6,040	10,437	19,867
Amounts due from related parties	69,343	106,103	111,684	41,321
Prepayments	44,099	158,104	103,173	159,251
	126,175	271,927	231,596	227,158

Trade debtors

Our trade debtors mainly consisted of receivables due from customers in relation to sales of properties and gross rentals from operating lease. We generally offer no credit term to our tenants and property buyers as all rent and consideration from sale of properties were received in advance. However, certain mortgages of the property buyers were approved by the banks and the funds were not available for withdrawn as at 31 December 2015 and 2016. Thus, the trade debtors in relation to sales of properties of approximately RMB1.3 million and RMB1.4 million were recorded as at 31 December 2015 and 2016, respectively. Such amount was past due but not impaired and the amount was fully settled subsequently.

Our trade debtors increased by approximately 33.4% from approximately RMB1.3 million as at 31 December 2015 to approximately RMB1.7 million as at 31 December 2016 mainly attributable to the increase in rental receivables from operating leases in relation to the kindergarten at Sunshine New Court Phase 2 of approximately RMB0.3 million as at 31 December 2016. The balance further increased by approximately 275.1% to approximately RMB6.3 million as at 31 December 2017 mainly due to the sale of a commercial property in Huizhou in Guangdong Province, namely Double Stars, amounting to RMB29.1 million in 2017. According to the sale and purchase agreements of Double Stars, the total consideration of approximately RMB29.1 million for the sale of Double Stars were to be paid by the buyer by three installments, in which the first two installment payments of approximately RMB23.3 million in aggregate were settled before 31 December 2017. The outstanding balance of approximately RMB5.8 million was settled within seven days after the buyer obtained the real estate title certificate in 2018. Our trade debtors increased by approximately 6.6% from approximately RMB6.3 as at 31 December 2017 to approximately RMB6.7 million as at 30 June 2018, mainly attributable to the time lag in the approval of mortgage and the actual transfer of payment from the relevant banks for the sale of properties of our development project during the six months ended 30 June 2018.

As of the end of the reporting period, the ageing analysis of trade debtors based on the date that trade debtors were recognised, is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one month	319	308	5,887	6,354
One to three months	—	950	90	90
Three to six months	—	135	135	135
Over six months	940	287	190	140
Total	1,259	1,680	6,302	6,719

Most of our trade debtors from third parties were within one year. During the Track Record Period, no trade debtors were impaired. We consider receivables that were past due but not impaired was insignificant. Based on our past experience, we believe no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 October 2018, approximately RMB6.6 million, representing approximately 98.6% of trade debtors as at 30 June 2018 has been subsequently settled.

The following table sets out our trade debtors turnover days during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2015	**2016**	**2017**	**2018**
Trade debtors turnover days	9	1	2	4

Note: Trade debtors turnover days for each one-year/six-month period equal the average of the beginning and ending trade-related debtors for that year/period divided by revenue and multiplied by 365/180 days.

Our trade debtors turnover days decreased from approximately 9 days in 2015 to approximately 1 day in 2016 as the revenue generated from the sale of our development projects increased in 2016. Our trade debtors turnover days remained relatively stable at approximately 2 days in 2017. Our trade debtors turnover days increased from approximately 2 days in 2017 to approximately 4 days for the six months ended 30 June 2018 as there was an increase in our average trade debtors as a result of the higher opening balance for the six months ended 30 June 2018.

Other debtors

Our other debtors comprised mainly the deposits paid for the construction and development of our development projects.

Our other debtors decreased by approximately 47.4% from approximately RMB11.5 million as at 31 December 2015 to approximately RMB6.0 million as at 31 December 2016. Such decrease was mainly due to the deposits paid for construction and development of our development projects were refunded to us upon completion of the construction works of Million Cities Legend Phase 1 and Sunshine New Court Phase 2. Our other debtors increased by approximately 72.8% to approximately RMB10.4 million as at 31 December 2017 from approximately RMB6.0 million as at 31 December 2016 mainly due to the deposits paid for commencement of construction of (i) Million Cities Legend Phase 2 amounted to approximately RMB1.8 million; and (ii) Crown Grand Court amounted to approximately RMB2.5 million in 2017. Our other debtors increased by approximately 90.4% from approximately RMB10.4 million as at 31 December 2017 to approximately RMB19.9 million as at 30 June 2018 mainly due to (i) the deposits paid for commencement of construction of Million Cities Legend Phase 3 amounted to approximately RMB2.5

million; and (ii) the transfer of amount due from Huizhou Kangcheng of approximately RMB6.9 million from amount due from related party to other debtor as Huizhou Kangcheng ceased to be our related party after completion of disposal of Mr. Liu Weito's equity interest in Huizhou Kangcheng to an independent third party during the six months ended 30 June 2018.

Amounts due from related parties

Our amounts due from related parties, which primarily relates to funds we advanced to our Controlling Shareholders and minority interests and associates, were interest free, unsecured and recoverable on demand. The amounts due from related parties as at 31 December 2015, 2016 and 2017 and 30 June 2018 were approximately RMB69.3 million, RMB106.1 million, RMB111.7 million and RMB41.3 million, respectively.

For further details regarding amounts due from related parties, please refer to the sub-paragraph headed "(b) Balances with related parties" under the paragraph headed "Related party transactions" in this section below.

Prepayments

Our prepayments mainly comprised (i) prepayments for properties development; and (ii) prepayments for CIT, LAT, VAT, business tax and surcharges. The following table sets out the breakdown of our prepayment as at the financial period end dates of the Track Record Period:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for properties development	12,550	90,859	56,756	103,594
Prepayments for CIT, LAT, VAT, business tax and surcharges	31,379	67,007	46,138	51,729
Others	170	238	243	3,928
Total	44,099	158,104	103,137	159,251

Our prepayments for properties development increased by approximately 624.0% from approximately RMB12.6 million as at 31 December 2015 to approximately RMB90.9 million as at 31 December 2016 primarily due to the prepayments of approximately RMB78.3 million made to our construction contractors for the construction of Million Cities Tycoon Place Phases 1 and 2 in 2016. Such prepayment was transferred to inventories following completion of construction of the development project in 2017. In addition, the development projects under development in 2017, namely Million Cities Legend Phase 2 and Crown Grand Court, required less prepayment to construction contractors. Our prepayments for properties development decreased by approximately 37.5% to approximately RMB56.8 million as at 31 December 2017. Our prepayments for properties development increased from approximately RMB56.8 million as at 31 December 2017 to approximately RMB103.6 million as at 30 June 2018 primarily due to the prepayments made to our construction contractors for the construction of Million Cities Legend Phase 2 and Million Cities Tycoon Place Phase 4 during the six months ended 30 June 2018.

Pursuant to the Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax ("**Cai Shui 2016 No. 36**") jointly issued by the Ministry of Finance and the State Administration of Taxation, the PRC subsidiaries of our Group have been subject to VAT since May 2016 on their revenues instead of business tax. According to Cai Shui 2016 No. 36, VAT for sales of properties, in the case that the construction of properties commenced before 1 May 2016, is calculated at a tax rate of 5% based on a simplified method. Otherwise, the VAT is calculated at a tax rate of 11%. Prepaid VAT (being 3% of the selling price of the properties) is paid upon the properties are pre-sold.

Our prepayments for CIT, LAT, VAT, business tax and surcharges increased by approximately 113.5% from approximately RMB31.4 million as at 31 December 2015 to approximately RMB67.0 million as at 31 December 2016 primarily due to the prepayment of CIT, LAT, VAT, business tax and surcharges amounted to approximately RMB45.0 million in relation to the pre-sale of Million Cities Tycoon Place Phases 1 and 2 in 2016. Our prepayments for CIT, LAT, VAT, business tax and surcharges decreased by approximately 31.1% to approximately RMB46.1 million as at 31 December 2017 primarily because (i) we did not launch new development project for sale in 2017; and (ii) the relevant prepayments for CIT, LAT, VAT, business tax and surcharges were recognised as expenses or utilised to offset VAT payable (where applicable) due to the sales of Million Cities Tycoon Place Phases 1 and 2 in 2017. Our prepayments for CIT, LAT, VAT, business tax and surcharges increased by approximately 12.1% from approximately RMB46.1 million as at 31 December 2017 to approximately RMB51.7 million as at 30 June 2018 primarily due to the prepayment of CIT, LAT, VAT, business tax and surcharges in relation to the pre-sale of Million Cities Legend Phase 2 and Crown Grand Court during the six months ended 30 June 2018.

Contract liabilities

Contract liabilities mainly represented the sales proceeds received from our customers in connection with our Group's pre-sale of properties at the end of each of the relevant periods. During the pre-sale of our development projects, we commenced the sales of our development projects and collect pre-sale proceeds paid to us by our customers in accordance with the relevant pre-sale agreements prior to completion of constructions of our development projects. Such proceeds from pre-sale are recognised as contract liabilities before the relevant sales are recognised as revenue in accordance with our accounting policy.

Our contract liabilities increased by approximately 87.7% from approximately RMB389.1 million as at 31 December 2015 to approximately RMB730.3 million as at 31 December 2016 mainly due to the pre-sale of Million Cities Tycoon Place Phases 1 and 2 in Tianjin in 2016. The balance decreased by approximately 90.2% from approximately

RMB730.3 million as at 31 December 2016 to approximately RMB71.3 million as at 31 December 2017 mainly due to (i) the sale of Million Cities Tycoon Place Phases 1 and 2 in Tianjin which were recognised in 2017; and (ii) our Group did not launch any new development project for pre-sale in 2017. Our contract liabilities increased from approximately RMB71.3 million as at 31 December 2017 to approximately RMB652.7 million as at 30 June 2018 mainly due to the pre-sale of Million Cities Legend Phase 2 and Crown Grand Court during the six months ended 30 June 2018.

Trade and other payables

Our trade and other payables as at the financial period end dates of the Track Record Period are summarised as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion:				
Trade payables	114,357	57,153	74,552	71,502
Other payables and accruals	116,852	76,319	150,989	166,799
Amounts due to related parties	1,085,295	967,976	958,130	954,973
Sub-total:	1,316,504	1,101,448	1,183,671	1,193,274
Non-current portion:				
Amounts due to related parties	—	—	—	65,443
Total	1,316,504	1,101,448	1,183,671	1,258,717

Trade payables

Our trade payables mainly include payables to (i) third party suppliers; and (ii) construction contractors.

Our trade payables decreased by approximately 50.0% from approximately RMB114.4 million as at 31 December 2015 to approximately RMB57.2 million as at 31 December 2016 mainly because we had settled the payables to third party suppliers and construction contractors after completion of construction of Million Cities Legend Phase 1 and Sunshine New Court Phase 2 in 2016. Our trade payables increased by approximately 30.4% to approximately RMB74.6 million as at 31 December 2017 mainly due to the increase in construction costs incurred in 2017 as the construction of Million Cities Legend Phase 2 and Crown Grand Court commenced in 2017. Although we had settled the trade payables to third party suppliers and construction contractors after completion of construction of Million Cities Tycoon Place Phases 1 and 2 in 2017, its effect was outweighed by the increase in development costs payable in relation to the commencement of construction works of Million Cities Legend Phase 2 and Crown Grand Court during the same period.

Our trade payables decreased by approximately 4.1% from approximately RMB74.6 million as at 31 December 2017 to approximately RMB71.5 million as at 30 June 2018 mainly due to settlement of the outstanding payables for the construction of Million Cities Tycoon Place Phases 1 and 2, which were completed during the second half of 2017.

The table below sets out an ageing analysis of the trade payables, based on the date the trade payable were recognised:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within three months	43,689	56,784	70,572	44,854
Three to six months	70,411	110	307	1
Six to twelve months	4	2	901	23,457
Over twelve months	253	257	2,772	3,190
Total	114,357	57,153	74,552	71,502

Payment to construction contractors is by installments according to progress and agreed milestones. The settlement terms and credit period granted by our suppliers are determined by individual contract payment terms. Our major suppliers generally grant us a credit period for progress payments of 28 days. In general, (i) 70% to 80% of the total contract price is settled during the construction progress by stage payments before the completion of the development project; (ii) approximately 95% to 97% of the total contract price is settled upon completion of the development projects; and (iii) we hold back the remaining 3% to 5% of the total contract prices as retention fee. The retention fee will be settled after the retention period, which is generally around two years.

As at 31 October 2018, approximately RMB56.3 million, representing approximately 78.7% of trade payables as at 30 June 2018 has been subsequently settled.

The following table sets out our trade payables turnover days during the Track Record Period:

	For the year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
Trade payables turnover days	606	47	31	94

Note: Trade payables turnover days for each year/six-month period equal the average of the beginning and ending trade-related payables for that year/period divided by the cost of sales and multiplied by 365/180 days.

Our trade payables turnover days decreased from approximately 606 days in 2015 to approximately 47 days in 2016 mainly as there was a decrease in the trade payable as at 31 December 2016 as a result of factors mentioned in the paragraph above. Our trade payables turnover days decreased to approximately 31 days in 2017 mainly due to the decrease in average trade payables during 2017 as a result of the factors mentioned in the paragraph above. Our trade payables turnover days increased from approximately 31 days in 2017 to approximately 94 days for the six months ended 30 June 2018 mainly due to the increase in average trade payables arose from construction costs incurred for Million Cities Legend Phase 2 and Crown Grand Court.

Other payables and accruals

We had other payables and accruals of approximately RMB116.9 million, RMB76.3 million, RMB151.0 million and RMB166.8 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. The other payables and accruals mainly represented our construction costs payable to our suppliers whereas suppliers' invoices were not yet received. The decrease of approximately RMB40.6 million from approximately RMB116.9 million as at 31 December 2015 to approximately RMB76.3 million as at 31 December 2016 was mainly because we completed the construction of Million Cities Legend Phase 1 and Sunshine New Court Phase 2 in 2016, and the construction contractors issued the relevant invoices for the constructions work completed, whereby the relevant amount of other payables and accruals were recognised as trade payables upon receipt of the invoices. These trade payables were settled in 2016 as mentioned in the sub-paragraph headed "Trade payables" above. The increase of approximately RMB74.7 million from approximately RMB76.3 million as at 31 December 2016 to approximately RMB151.0 million as at 31 December 2017 was primarily attributable to the commencement of construction for Million Cities Legend Phase 2 and Crown Grand Court, whereby the costs for the construction works accrued and the relevant invoices had not been issued by the construction contractors as at 31 December 2017. The increase of approximately RMB15.8 million from approximately RMB151.0 million as at 31 December 2017 to approximately RMB166.8 million as at 30 June 2018 was mainly due to the increase in the VAT payable for Million Cities Legend Phase 2 as at 30 June 2018.

Amounts due to related parties

Our amounts due to related parties mainly represent the amounts due to our Controlling Shareholders and minority shareholders of our subsidiaries and their respective close family members and entities controlled by them. We had current portion of amounts due to related parties of approximately RMB1,085.3 million, RMB968.0 million, RMB958.1 million and RMB955.0 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively, which were mainly arisen from the funding activities with related parties for development projects. The current portion of amounts due to related parties were interest-free, unsecured and repayable on demand. A net amount of approximately RMB443.0 million due to our Controlling Shareholders as at 30 June 2018 will be capitalised into our equity prior to Listing, the net amount of approximately RMB130.9 million due to our Controlling Shareholders as at 30 June 2018 will be settled prior to Listing, the net amount due to related parties, namely Mr. Liu Weito, Ms. Fan Yuanxin and

Man Wah Investments Limited, will be settled after completion of the relevant development projects in which they are shareholders. We had non-current portion of amounts due to related parties of approximately RMB65.4 million as at 30 June 2018, which were arisen from the deemed distribution to the original equity holders of Huizhou Yuefu according to the capital injection agreement dated 25 June 2018 and entered into among Mr. Lin Guoxian ("**Mr. Lin**"), Ms. Wang Xiaoxia ("**Ms. Wang**"), Million Cities Corporate Management and Huizhou Yuefu ("**Capital Injection Agreement**"). According to the Capital Injection Agreement, Million Cities Corporate Management injected capital into Huizhou Yuefu, which diluted the equity holding of the original equity holders of Huizhou Yuefu (i.e. Mr. Lin and Ms. Wang). To compensate the equity holding dilution of Mr. Lin and Ms. Wang in Huizhou Yuefu, it was agreed that the retained profit of Huizhou Yuefu as at May 2018 and the estimated unrealised gain arising from unsold inventories as at 31 May 2018, is to be distributed according to the equity holding before the capital injection by Million Cities Corporate Management (i.e. 52% held by Mr. Lin and 48% held by Ms. Wang). The non-current portion of the amounts due to related parties of approximately RMB65.4 million represents such proportion of profit to be distributed to Mr. Lin and Ms. Wang. Our Company expects that the non-current portion of the amounts due to related parties will be settled when (i) the properties sold but not yet delivered by Huizhou Yuefu as at 31 May 2018 are delivered; and (ii) the unsold inventory of Huizhou Yuefu as at 31 May 2018 are sold and delivered.

Huizhou Yuefu is the project company for the development of Sunshine New Court Phases 1 and 2. Both development projects have been completed and delivery of properties of both development projects has commenced. Our Company expects that all properties of Sunshine New Court Phases 1 and 2 will be sold and delivered within the coming three years and the non-current portion of the amounts due to related parties of approximately RMB65.4 million will, in turn, be settled within three years, subject to the sales performance of such properties.

For further details regarding our amounts due to related parties, please refer to the paragraph headed "Related party transactions" in this section below.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Bank loans

We had bank borrowings of approximately RMB62.4 million, nil, RMB299.3 million and RMB364.5 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. Our bank borrowings decreased from approximately RMB62.4 million as at 31 December 2015 to nil as at 31 December 2016 mainly attributable to our repayment of the loan with the proceeds obtained from our pre-sales of Million Cities Tycoon Place Phases 1 and 2. Our bank borrowings increased to approximately RMB299.3 million as at 31 December 2017 as we required external borrowing for the development of Million Cities Legend Phase 2 and Crown Grand Court in 2017. Our bank borrowings increased to approximately RMB364.5 million as at 30 June 2018 due to the commencement of the preparation for the development of Million Cities Tycoon Place Phases 3 and 4 during the six months ended 30 June 2018.

The following table sets forth a breakdown of our outstanding bank loans as at the dates indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Secured(1)	—	—	299,317	364,504
Unsecured(2)	62,369	—	—	—
Total	62,369	—	299,317	364,504

Notes:

1. The bank loans of approximately RMB299.3 million as at 31 December 2017 were interest-bearing at 110% of the basic loan interest rate as published by the PBOC and repayable on demand. Such loans were secured by our inventories amounting to approximately RMB163.1 million as at 31 December 2017. The bank loan of approximately RMB364.5 million as at 30 June 2018 was interest-bearing at 110% or 130% of the basic loan interest rate as published by the PBOC and repayable on demand. Such loan was secured by our inventories amounting to approximately RMB286.1 million as at 30 June 2018.

2. Such bank loan is interest-bearing at HIBOR plus 3.5% and repayable on demand.

As at 31 December 2015 and 2017 and 30 June 2018, all our bank loans were guaranteed by related parties. For further details, please refer to note 30(e) to the Accountants' Report as set out in Appendix I to this prospectus. All guarantees provided by related parties will be released upon Listing.

Our banking facilities are subject to the fulfilment of certain covenants which are commonly found in lending arrangements with financial institutions. If we were to breach the covenants, the drawn down facilities would become payable on demand. However, our Directors do not expect that such covenants would materially restrict our Group's overall ability to undertake additional debt or equity financing necessary to carry out our current business plans.

As at 31 December 2017, we breached the following covenants of an agreement dated 17 January 2017 and entered into between Huizhou Million Cities and a bank in the PRC ("**Bank**") relating to a banking facility ("**Bank Loan Agreement 1**") of a total amount of approximately RMB269.0 million to finance the development of Million Cities Legend Phase 2:

1) the required commencing date for the pre-sales of certain properties.

We failed to commence the pre-sale of Million Cities Legend Phase 2 by 30 October 2017 as we undertook under the covenants of the Bank Loan Agreement 1. We had used our best endeavours to negotiate with the relevant government authorities actively in getting a favourable pre-sale price of Million Cities Legend Phase 2. The negotiation took an unexpectedly long period of time. As a result, the issuance of the pre-sale permit of Million Cities Legend Phase 2 was delayed and the pre-sale period of Million Cities Legend Phase 2 commenced on 19 January 2018.

2) restriction imposed to the transactions with related parties.

The covenants of the Bank Loan Agreement 1 prohibited the following transactions with related parties without prior written approval of the Bank:

(i) repayment of shareholders' loans ("**Subordinated Debt**"); and

(ii) transactions with related parties exceeding a certain proportion of the then net asset value of Huizhou Million Cities.

During the year ended 31 December 2017, Huizhou Million Cities received certain advancements from shareholders and settled part of the amount due to shareholders, namely Ms. Wang Xiaoxia, Mr. Liu Weito and members of the Wong's Family and associates.

The above breaches were due to the difference in our interpretation and the Bank's of the covenants. For covenant (i), we interpreted the covenant differently that repayment of shareholders' loans and further advancements from shareholders would not be restricted so long as the aggregated shareholders' loans were maintained at the level not lower than the Subordinated Debt level as stated in the Bank Loan Agreement 1. For covenant (ii), we considered transactions with related parties, including those set out in Note 30(c) to the Accountants' Report as set out in Appendix I to this prospectus, to be in trade nature and we were not aware that shareholders' current account movements were deemed to be a type of transaction with related parties under the Bank Loan Agreement 1.

As at 30 June 2018, we breached the following covenants of the Bank Loan Agreement 1, and an agreement dated 30 September 2017 and entered into between Huizhou China Field and the Bank (as supplemented) relating to bank loan ("**Bank Loan Agreement 2**") to finance the development of Million Cities Legend Phase 2 and Crown Grand Court, respectively:

	The Bank Loan Agreement 1	The Bank Loan Agreement 2
Relevant covenant breached	Limitation of the total investment to the relevant project: The total investment of Million Cities Legend Phase 2 was limited to RMB410,000,000 ("**Investment Limit**") pursuant to the Bank Loan Agreement 1. As at 30 June 2018, our total investment for Million Cities Legend Phase 2 exceeded the Investment Limit.	Restriction on provision of loan to third parties: The covenant of the Bank Loan Agreement 2 prohibited Huizhou China Field to provide loan to or guarantee for any third party. During the six months ended 30 June 2018, there were intra-group transactions between Huizhou China Field and other entities in our Group.
Reason(s) of breach	As the Bank Loan Agreement 1 was signed in January 2017, the Investment Limit was based on the then estimated total investment amount with reference to the then prevailing market price of raw materials and construction cost etc.. The Investment Limit did not include interior decoration costs for Million Cities Legend Phase 2. However, we entered into a supplemental agreement ("**Supplemental Agreement**") with the general contractor for Million Cities Legend Phase 2 in March 2018 to engage such general contractor to provide further services, including among others, electrical and mechanical engineering services ("**Additional Work**"). Thus, the actual total investment in Million Cities Legend Phase 2 exceeded the Investment Limit for the Additional Work and as a result of the increase in cost of raw materials.	We interpreted "third party" as set out in the Bank Loan Agreement 2 would not include members of our Group.

We have obtained an one-off waiver letter from the Bank in respect of the breaches occurred in 2017 related to the Bank Loan Agreement 1, whereby the abovementioned breach occurred in 2017 related to the Bank Loan Agreement 1 was waived by the Bank. The Bank has also issued one-off waiver letters to us, whereby the abovementioned breaches occurred during the six months ended 30 June 2018 related to the Bank Loan Agreement 1 and the Bank Loan Agreement 2 respectively were waived by the Bank. As at 31 October 2018, apart from the abovementioned breaches of the Bank Loan Agreement 1 and the Bank Loan Agreement 2 which occurred in 2017 and during the six months ended 30 June 2018, which were subsequently waived one-off by the Bank, our Group was not in breach of each of the Bank Loan Agreement 1 and the Bank Loan Agreement 2. As confirmed by our Directors, subsequent to obtaining the abovementioned waiver letters from the Bank, the Bank will not implement any measures against our Group in respect of the abovementioned breaches of the Bank Loan Agreement 1 and the Bank Loan Agreement 2. Save as disclosed above, during the Track Record Period and as at the Latest Practicable Date, we had not defaulted on any obligation in any material respect under our credit facilities. Our Directors further confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulties in obtaining banking facilities nor had we been rejected for any loan application.

In aggregate, our Group has unutilised loan facilities of approximately RMB392.6 million as at the Latest Practicable Date.

Indebtedness

The following table sets out a breakdown of our outstanding loans and borrowings as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	**2016**	**2017**	**2018**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000** *(unaudited)*
Secured bank loans	—	—	299,317	364,504	324,154
Unsecured bank loans	62,369	—	—	—	—
Amount due to related parties	1,085,295	967,976	958,130	1,020,416	1,041,572
Total	1,147,664	967,976	1,257,447	1,384,920	1,365,726

Our total outstanding borrowings amounted to approximately RMB1,147.7 million, RMB968.0 million, RMB1,257.4 million, RMB1,384.9 million and RMB1,365.7 million as at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018, respectively. The fluctuation of our total outstanding borrowings during the Track Record Period was primarily due to the changes in financial needs in light of our development projects and cash flow planning.

As at 31 October 2018, being the latest date for the purpose of liquidity disclosure in this prospectus, we had outstanding indebtedness of approximately RMB1,365.7 million, consisting of bank borrowings of approximately RMB324.2 million, and amount due to related parties of approximately RMB1,041.6 million. Our total borrowings decreased slightly to approximately RMB1,365.7 million as at 31 October 2018 primarily due to our repayment of bank loan in the PRC with our sale proceeds from Million Cities Legend Phase 2 and offset by increase in amounts due to related parties denominated in Hong Kong dollars as a result of depreciation of RMB.

As at 31 October 2018, our bank loans were interest-bearing at 110% or 130% of the basic loan interest rate as published by the PBOC and repayable on demand. Such bank loans were secured by our inventories.

Save as disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, debentures, charges, mortgages, material contingent liabilities or guarantees outstanding as at 31 October 2018. Our Directors confirm that there is no material change in our indebtedness position since 31 October 2018 up to the date of this prospectus. We intend to continue to finance portions of our development projects with bank borrowings, as we deem appropriate. Except for such bank borrowings, we currently do not have plans for other material external debt financing.

Contingent liabilities

During the Track Record Period, we had arranged for bank financing for certain independent third party purchasers of our Group's properties and provided guarantees to secure obligations of such purchasers for repayments. As at 31 December 2015, 2016 and 2017 and 30 June 2018 and 31 October 2018, the outstanding guarantees to the banks amounted to approximately RMB138.5 million, RMB551.3 million, RMB376.3 million, RMB107.7 million and RMB385.8 million, respectively. Such guarantees will be terminated upon the issuance of the relevant real estate title certificate and the registration of the mortgage in favour of the mortgage bank.

During the Track Record Period, we had encountered four incidents of default by our purchasers for whom we had guaranteed their mortgage loans. We were liable to settle the outstanding loans to the relevant bank in respect of all of the abovementioned default incidents. During the Track Record Period, our Group settled approximately RMB157,000, RMB51,000, RMB23,000 and RMB204,000 for each of the abovementioned incidents of default respectively. Approximately RMB361,300 in aggregate was yet to be recovered by us as at the Latest Practicable Date. For further details, please refer to the sub-paragraph headed "Project planning and design and pre-construction" under the paragraph headed "Our development projects" under the section headed "Business" in this prospectus. Although we were liable to settle the outstanding loans to the relevant bank for all of incidents of defaults by our purchasers, having considered that pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the banks have the rights to sell the property and recover the outstanding loan balance from the sale proceeds if the purchasers have default payment, our Directors consider that it is not probable that our Group will sustain a loss under these guarantees. Our Group's guarantee period starts from the date of grant of mortgage loans and ends upon the issuance of the relevant real estate title certificate and the registration of the mortgage. We have not recognised any deferred income in respect of these guarantees as its fair value is considered to be insignificant by our Directors.

Off-balance sheet commitments and arrangements

Except for the contingent liabilities disclosed above, as at 31 October 2018, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities.

COMMITMENTS

As at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018, we had the following commitments:

	As at 31 December			As at 30 June	As at 31 October
	2015	**2016**	**2017**	**2018**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
					(unaudited)
Contracted for:					
Construction and development contracts	281,571	109,380	780,090	516,266	573,061

The commitments primarily represent development costs for our Group's properties under development. The amount contracted for as at 31 October 2018 of approximately RMB573.1 million represents the development costs for development projects under development. We expect to meet these commitments primarily through bank loans and proceeds received from the sale and pre-sale of our properties. Except for contingent liabilities and commitments disclosed above, there were no other contingent liabilities and commitments outstanding as at 30 June 2018.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions in respect of (i) sale of properties; (ii) lease of properties; (iii) accommodation services received by our Group; (iv) property management services received by our Group; and (v) purchase of goods.

(a) Transactions value with related parties

Set out below a summary of the transactions with our related parties during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Sale of properties	—	2,774	—	—	—
Lease of properties	916	1,164	336	287	50
Accommodation services received by our Group	(1,037)	(375)	(777)	(322)	(546)
Property management services received by our Group *(Note)*	(792)	(1,894)	(1,602)	(778)	(1,261)
Purchase of goods	(30)	(163)	(152)	(76)	(87)

Note: The amount for the six months ended 30 June 2018 included property management services provided by Huizhou Kangcheng to our Group from 1 January 2018 to the date of completion of the disposal of Mr. Liu Weito's equity interest therein to an independent third party on 29 June 2018 whereby it ceased to be our related party.

In respect of sale of properties, during the year ended 31 December 2016, we sold a property to Ms. Fan Yuanxin, being the spouse of Mr. Liu Weito, our connected person.

In respect of lease of properties, during the Track Record Period, we earned rental income by leasing certain properties, including residential properties and office in which we developed, to related parties. Among the leases, we rented three property units to Huizhou Nanxuan Knitting Factory Limited (惠州南旋毛織廠有限公司), which is a connected person of our Company. All of the three leases will end at as 31 December 2018 and we are in process of disposing of the relevant property units. In the cases where the leases will continue after Listing, we shall comply with the relevant provisions under the Listing Rules.

In respect of accommodation services received by our Group, during the Track Record Period, Huizhou Gangsheng and Wuhu Dexin Real Estate Company Limited (蕪湖德信置業有限公司) provided hotel accommodation services to our Group at Huizhou and Wuhu at a discount to the prices charged to other customers. Our Group would continue to engage Huizhou Crowne Hotel for the provision of hotel accommodation services after Listing, and such arrangements would constitute continuing connected transactions. For further details, please refer to the sub-paragraph headed "Hotel services" under the paragraph headed "Exempted continuing connected transactions" under the section headed "Continuing connected transactions" in this prospectus.

In respect of property management services received by our Group, during the Track Record Period, Huizhou Kangcheng provided property management services to properties developed by us. During the three years ended 31 December 2017, Huizhou Kangcheng was a connected person of our Company as Mr. Liu Weito and Mr. Lin Guoxian controlled equity interest in Huizhou Kangcheng during that period. The Directors confirm that the property management services fee charged is comparable to those offered by independent third parties. During the six months ended 30 June 2018, Mr. Liu Weito disposed of his entire shareholding interest to an independent third party and hence Huizhou Kangcheng has ceased to be our connected person upon completion of the transfer of his shareholding interest and has also ceased to be a related party as at 30 June 2018. For further details regarding property management, please refer to the sub-paragraph headed "Project completion and delivery, and after-sales maintenance and property management" under the paragraph headed "Our development projects" under the section headed "Business" in this prospectus.

In respect of purchase of goods, we purchased health food products from a related party, namely Jinjiazhuang (Huizhou) Health Food Company Limited*(勁家莊(惠州)健康食品有限公司) ("**Jinjiazhuang**"), for the benefit of our Group's employees. Our Group will continue to purchase health food products from Jinjiazhuang and it would constitute a fully exempted continuing connected transaction under Rule 14A.97 of the Listing Rules.

Our Directors are of the view that the above transactions were conducted on normal commercial terms or better and on arm's length basis, and in the interest of our Shareholders as a whole.

(b) Balances with related parties

Balances with related parties are recorded in other receivables and interests in associates and joint ventures:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade and other receivables — Amounts due from related parties	69,343	106,103	111,684	41,321
Interest in associates — Amounts due from associates (non-current)	—	—	87,251	107,488
Interest in joint ventures — Amount due from joint ventures (non-current)	—	—	41,384	53,740
	69,343	106,103	240,319	202,549

* *For identification purpose only*

Balances with related parties as at 31 December 2015, 2016 and 2017 and 30 June 2018 are detailed as follows:

Amounts due from related parties:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Wong's family and associates				
Mr. George Lau	—	—	37,863	37,863
Mr. TC Wong	20,000	62,407	1,570	2,225
Subtotal	20,000	62,407	39,433	40,088
Companies controlled by Wong's family				
Huizhou Kangcheng#	5,775	5,942	6,183	—
Tianjin Kangcheng Property Management Ltd.* (天津市康城物業管理有限公司)	500	2,100	3,100	—
Huizhou Lixin Science and Technology Co., Ltd.* (惠州立信科技有限公司)	730	860	860	860
Main Galaxy Development Ltd.	—	—	92	93
Fortunate Creation (Hong Kong) Limited (formerly known as Million Cities Holding Limited)	11	12	13	—
Huizhou Yonglitian Real Estate Co., Ltd.* (惠州永利添置業有限公司)	—	—	2	2
Huizhou Gangsheng	96	86	—	—
Good Teamco (HK) Limited	42,228	—	—	13
Gold Paradise Investment Limited	—	—	—	5
Huizhou Changlong Biotechnology Co., Ltd.* (惠州長龍生物技術有限公司)	3	—	—	—
Subtotal	49,343	9,000	10,250	973
Minority interests and associates				
Wong Man Li	—	—	61,740	—
Tsang Man Sound	—	34,696	—	—
Subtotal	—	34,696	61,740	—
Joint ventures of our Group				
Well Kong Investments Limited	—	—	41,384	41,740
Huizhou Well Kong	—	—	260	12,260
Subtotal	—	—	41,644	54,000
Associates of our Group				
Henan Julong	—	—	87,000	87,000
Asia Image (H.K.) Limited	—	—	251	253
Gold Concept Development Limited	—	—	1	20,235
Subtotal	—	—	87,252	107,488
Total	69,343	106,103	240,319	202,549

* *For identification purpose only*

\# Huizhou Kangcheng ceased to be our related party upon completion of disposal of Mr. Liu Weito's equity interest in Huizhou Kangcheng to an independent third party on 29 June 2018. The amount due to Huizhou Kangcheng as at 30 June 2018 was transferred to other debtors as Huizhou Kangcheng ceased to be our related party as at 30 June 2018.

Amounts due to related parties

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Wong's family and associates				
Mr. TC Wong	431,900	467,728	512,075	552,782
Wong Wai Yue	11,500	11,500	11,500	11,500
Wong Ting Kau	9,807	9,807	9,807	5,307
Wong Wai Ling	4,000	4,000	4,000	3,307
Mr. George Lau	47,208	258	157	157
Subtotal	504,415	493,293	537,539	573,053##
Companies controlled by Wong's family and associates				
Winnermax Management	—	229	47,004	67,643
Huizhou Gangsheng	13,422	13,422	8,000	8,279
Huizhou Kangcheng#	109	1,481	2,234	—
Huizhou Chuanghui Electronic Technology Co., Ltd.* (惠州市創匯電子科技有限公司)	20,000	19,980	—	—
Huizhou Weirong Real Estate Co., Ltd.* (惠州偉榮置業有限公司)	8,656	—	—	—
Huizhou Derong Real Estate Co., Ltd.* (惠州得榮置業有限公司)	8,450	—	—	—
Subtotal	50,637	35,112	57,238	75,922
Minority interests and associates				
Man Wah Investments Limited	185,598	228,348	213,389	215,227
Mr. Liu Weito	15,060	63,945	114,364	109,201
Ms. Wang Xiaoxia	279,185	131,678	20,000	31,413
Fan Yuanxin	15,600	15,600	15,600	15,600
Wong Man Li	31,290	—	—	—
Tsang Man Sound	3,510	—	—	—
Subtotal	530,243	439,571	363,353	371,441
Total	1,085,295	967,976	958,130	1,020,416

* *For identification purpose only*

\# *Huizhou Kangcheng ceased to be our related party as at 30 June 2018 as a result of completion of disposal of Mr. Liu Weito's equity interest in Huizhou Kangcheng to an independent third party on 29 June 2018.*

\## *The amount included non-current portion of amount due to related parties of approximately RMB34 million which represented the proportion of profit to be distributed to Mr. Lin Guoxian.*

Amounts due from related parties

Amounts due from members of the Wong's Family and associates and amounts due from companies controlled by members of the Wong's Family

During the Track Record Period, certain of our subsidiaries had made advances to members of the Wong's Family and associates, and companies controlled by them. Such balances were interest free, unsecured, and repayable on demand. These balances will be settled prior to Listing.

Amounts due from minority interests and associates

These balances represented advances made by our subsidiary, Tianjin Jianji, to Mr. Wong Man Li, a controlling shareholder of Man Wah Investments Limited (the shareholder of Brightwood Management Limited, which is the minority shareholder of our non-wholly-owned subsidiary, China Lands Investments Limited), and Mr. Tsang Man Sound. Such balances are interest free, unsecured, and repayable on demand and has been settled as at the Latest Practicable Date.

Amounts due from joint ventures and associates of our Group

Amounts due from associates and joint ventures of our Group generally represented shareholder's loan from us for the development of development projects conducted by these entities. During the Track Record Period, we contributed funding to (i) Henan Julong, Asia Image (H.K.) Limited and Gold Concept Development Limited for the development of Dragon Palace Phases 1 and 2; and (ii) Huizhou Well Kong and Well Kong Investments Limited for the development of Million Cities Tonghu Centre and Dragon Terrace.

The amount due from Henan Julong will not be settled before Listing and thus constitutes a continuing connected transaction for our Company after Listing. For further details regarding the amount due from Henan Julong, please refer to the sub-paragraph headed "Loan to Henan Julong" under the paragraph headed " Exempted continuing connected transactions" under the section headed "Continuing connected transactions" in this prospectus.

Amounts due to related parties

Amounts due to members of the Wong's Family and associates and amounts due to companies controlled by members of the Wong's Family

During the Track Record Period, certain of our subsidiaries received funding from certain members of the Wong's Family and associates, and companies controlled by them. Such balances were interest free, unsecured, and repayable on demand. While the net amount of approximately RMB443.0 million due to our Controlling Shareholders as at 30 June 2018 will be capitalised into our equity prior to Listing. The net amount of approximately RMB130.9 million due to our Controlling Shareholders as at 30 June 2018 will be settled prior to Listing.

Amounts due to minority interests and associates

Amounts due to Ms. Wang Xiaoxia and Mr. Liu Weito generally represented their shareholder's loan to Huizhou Million Cities for the development of Million Cities Legend. Amount due to Man Wah Investments Limited generally represented its shareholder's loan to China Lands Investments Limited, the holding company of Tianjin Jianji, for the development of Million Cities Tycoon Place. Ms. Fan Yuanxin, the spouse of Mr. Liu Weitao, also provided loan to Huizhou Million Cities.

For development projects that we developed with third parties, we and the third parties generally and collectively contributed the funding via a combination of equity and shareholder's loan, which is capital in nature and non-interest bearing and expected to be repaid by cash flow generated from pre-sale and sale of our development projects. Funding of development projects by means of shareholder's loan is a common and normal way for property development companies in the PRC according to the Colliers Report.

Save as the non-current portion of amount due to Ms. Wang Xiaoxia as at 30 June 2018 as a result of the deemed distribution to the original equity holders of Huizhou Yuefu according to the capital injection agreement dated 25 June 2018 and entered into among Mr. Lin Guoxian, Ms. Wang Xiaoxia, Million Cities Corporate Management and Huizhou Yuefu, the amount due to Ms. Wang Xiaoxia has been settled as at the Latest Practicable Date. The amounts due to Mr. Liu Weito, Ms. Fan Yuanxin and Man Wah Investments Limited will not be settled before Listing, but it is expected to be settled by surplus cash flow from the sale proceeds of the relevant development projects of our subsidiaries in which they are shareholders. For further details regarding the amount due to Mr. Liu Weito, Ms. Fan Yuanxin and Man Wah Investments Limited, please refer to the sub-paragraph headed "Loan from Mr. Liu Weito and Ms. Fan Yuanxin" and "Loan from Man Wah Investments Limited" under the paragraph headed "Exempted continuing connected transaction" under the section headed "Continuing connected transactions" in this prospectus.

(c) Bank loans guaranteed by related parties

As at 31 December 2015, the bank loans of approximately RMB62.4 million were jointly guaranteed by Mr. TC Wong, Wong Ting Kau, Wong Ting Chun and Wong Man Li. The loan has already been repaid.

As at 31 December 2017, the bank loans of approximately RMB299.3 million were jointly guaranteed by Mr. TC Wong and Mr. George Lau.

As at 30 June 2018, the (i) bank loans of approximately RMB287.1 million were jointly guaranteed by Mr. TC Wong and Mr. George Lau; (ii) bank loans of approximately RMB42.6 million were guaranteed by Mr. TC Wong; and (iii) bank loans of approximately RMB34.8 million were guaranteed by Wong Man Li.

Guarantees given by the related parties for our Group's bank loans will be released upon Listing.

LIQUIDITY AND CAPITAL RESOURCES

Source of liquidity

We operated in a capital-intensive industry and have financed our working capital, capital expenditure and other capital requirements primarily through cash generated from operations, including (i) bank loans; (ii) capital contributions from our Shareholders; (iii) proceeds from the sale of our development projects and the pre-sale of our development projects under development; and (iv) loans from our related parties.

Cash flows

The following table sets out selected cash flow data from our consolidated statements of cash flows for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash (outflow)/inflow from operating activities	(303,006)	276,948	(225,005)	(123,543)	349,667
Net cash inflow/(outflow) from investing activities	26,722	(2,052)	(132,385)	(25,684)	28,467
Net cash inflow/(outflow) from financing activities	281,101	(224,468)	346,281	114,448	2,218
Increase/(decrease) in cash and cash equivalents	4,817	50,428	(11,109)	(34,779)	380,352
Cash and cash equivalents at 1 January	50,128	54,945	105,372	105,372	94,172
Effect of foreign exchange rate changes	—	(1)	(91)	—	(32)
Cash and cash equivalents at 31 December/30 June	54,945	105,372	94,172	70,593	474,492

Our cash and cash equivalents increased by approximately 403.9% from approximately RMB94.2 million as at 31 December 2017 to approximately RMB474.5 million as at 30 June 2018. It was primarily attributable to the pre-sale of our properties in Million Cities Legend Phase 2 and Crown Grand Court during the six months ended 30 June 2018.

Net cash (outflow)/inflow from operating activities

Our cash outflow from operating activities principally comprises payments made in relation to our property development activities and land acquisitions. Our cash inflow from operating activities is principally proceeds received from sales of our properties and rental income.

We had net cash outflow from operating activities of approximately RMB303.0 million for the year ended 31 December 2015, primarily attributable to the (i) increase in inventories and other contract costs of approximately RMB573.6 million; (ii) increase in trade and other receivables of approximately RMB77.4 million; and (iii) increase in pledged and restricted cash of approximately RMB58.0 million during the year. It was partially offset by the (i) profit before taxation of approximately RMB6.4 million generated; (ii) increase in contract liability of approximately RMB381.0 million; and (iii) increase in trade and other payables of approximately RMB55.7 million during the year.

We had net cash inflow from operating activities of approximately RMB276.9 million for the year ended 31 December 2016, primarily attributable to the (i) profit before taxation of approximately RMB186.6 million generated; (ii) decrease in inventories and other contract costs of approximately RMB116.6 million; and (iii) increase in contract liability of approximately RMB341.2 million during the year. It was partially offset by the (i) increase in trade and other receivables of approximately RMB106.6 million; (ii) increase in pledged and restricted cash of approximately RMB96.2 million; and (iii) decrease in trade and other payables of approximately RMB96.1 million during the year.

We had net cash outflow from operating activities of approximately RMB225.0 million for the year ended 31 December 2017, primarily attributable to the decrease in contract liabilities of approximately RMB659.1 million during the year. It was partially offset by the (i) profit before taxation of approximately RMB141.4 million generated; (ii) decrease in inventories and other contract costs of approximately RMB99.8 million; and (iii) decrease in pledged and restricted cash of approximately RMB128.1 million, during the year.

We had net cash inflow from operating activities of approximately RMB349.7 million for the six months ended 30 June 2018, primarily attributable to the (i) profit before taxation of approximately RMB90.8 million generated; (ii) increase in contract liabilities of approximately RMB581.4 million; (iii) increase in trade and other payables of approximately RMB24.1 million; and (iv) decrease in trade and other receivables of approximately RMB11.0 million, partially offset by the (i) increase in inventories and other contract costs of approximately RMB166.7 million; and (ii) increase in pledged and restricted cash of approximately RMB122.4 million during the six months ended 30 June 2018.

Net cash inflow/(outflow) from investing activities

Our cash inflow from investing activities primarily comprises the proceeds from disposal of investment properties and other financial assets. Our cash outflow from investing activities was primarily due to the investments in associates and joint ventures and payments for purchase of other financial assets.

For the year ended 31 December 2015, we had net cash inflow from investing activities of approximately RMB26.7 million, primarily attributable to the (i) proceeds from disposal of investment properties of approximately RMB59.1 million; and (ii) proceeds from disposal of other financial assets of approximately RMB23.7 million during the year. It was partially offset by the payments for purchase of other financial assets which represents the investment in wealth management products issued by banks of approximately RMB56.0 million during the year.

For the year ended 31 December 2016, we had net cash outflow from investing activities of approximately RMB2.1 million, primarily attributable to payments for purchase of other financial assets of approximately RMB228.8 million during the year. It was partially offset by the proceeds from disposal of other financial assets of approximately RMB226.4 million during the year.

For the year ended 31 December 2017, we had net cash outflow from investing activities of approximately RMB132.4 million, primarily attributable to the (i) investments in associates and joint ventures of approximately RMB128.6 million; and (ii) payments for purchase of other financial assets of approximately RMB87.5 million in during the year. It was partially offset by the proceeds from disposal of other financial assets of approximately RMB82.7 million during the year.

For the six months ended 30 June 2018, we had net cash inflow from investing activities of approximately RMB28.5 million, primarily attributable to the (i) interest received of approximately RMB0.6 million; and (ii) proceeds from disposal of other financial assets of approximately RMB40.0 million, partially offset by (a) investment in associates and joint ventures of approximately RMB12.0 million; and (b) acquisition of property, plant and equipment of approximately RMB0.2 million during the six months ended 30 June 2018.

Net cash inflow/(outflow) from financing activities

Our cash inflow from financing activities was primarily due to proceeds from bank loans and funding from related parties. Our cash outflow from financing activities was primarily due to repayment of bank loans and repayment of amount due to related parties.

For the year ended 31 December 2015, we had net cash inflow from financing activities of approximately RMB281.1 million, primarily attributable to the proceeds from amounts due to related parties of approximately RMB446.3 million during the year. It was partially offset by (i) repayment of bank loans of approximately RMB59.9 million; and (ii) repayment of amounts due to related parties of approximately RMB101.8 million during the year.

For the year ended 31 December 2016, we had net cash outflow from financing activities of approximately RMB224.5 million, primarily attributable to (i) repayment of bank loans of approximately RMB63.8 million; and (ii) repayment of amounts due to related parties of approximately RMB405.8 million during the year. It was partially offset by the proceeds form amounts due to related parties of approximately RMB245.8 million during the year.

For the year ended 31 December 2017, we had net cash inflow from financing activities of approximately RMB346.3 million, primarily attributable to the (i) proceeds from bank loans of approximately RMB299.3 million; and (ii) proceeds from amounts due to related parties of approximately RMB215.6 million during the year.

For the six months ended 30 June 2018, we had net cash inflow from financing activities of approximately RMB2.2 million, primarily attributable to (i) proceeds from bank loans of approximately RMB105.5 million; and (ii) proceeds from related parties of approximately RMB12.5 million, partially offset by (a) repayment of bank loans of approximately RMB40.4 million; (b) interest paid on bank loans of approximately RMB7.9 million; (c) repayment to related parties of approximately RMB62.4 million; and (d) payment of listing expenses of approximately RMB5.2 million during the six months ended 30 June 2018.

Working capital

We manage our working capital to ensure proper and efficient collection and deployment of our funds. We carefully consider our cash position and ability to obtain further financing when making significant capital commitments and arranging payments for expanding our operations.

To achieve sufficient working capital, we will continue to improve our cash inflow associated with the sale and pre-sale of our properties by executing our business strategies as well as strengthening our payment collection from our customers with respect to the property sales and pre-sales. We also intend to further optimise the payment schedules for constructions fees to match the collection of our proceeds through negotiation with our construction contractors. Furthermore, we will continue to control cash outflow by enhancing our development and construction schedules, property sales and land acquisition plans based on the cash inflow associated with external financing opportunities and property sales proceeds.

Sufficiency of working capital

As we continue to expand the scale of our operations, our cash outflow is expected to be primarily driven by (i) the increase in the number of our existing development projects under development; and (ii) development projects held for future development, resulting in a higher level of future development compared with that during the Track Record Period. We expect to fund such cash outflow requirements with our existing cash and cash equivalents and cash generated from pre-sale of our current developments projects and new bank and other borrowings.

As at 31 October 2018, we had commitments contracted for of approximately RMB573.1 million and we had bank borrowings of approximately RMB324.1 million. As at the same date, our net current assets amounted to approximately RMB21.3 million. The decrease in our net current assets as at 31 October 2018 was primarily due to an increase in contract liabilities of approximately RMB654.6 million. In addition, as (i) we had approximately 107,995.68 sq.m. GFA unsold in aggregate for our completed development projects as at 31 October 2018; and (ii) we have commenced pre-sale of Million Cities

Tycoon Place Phase 4 Crown Grand Court and Dragon Palace Phase 1 as at 31 October 2018, with a saleable GFA of approximately 101,689.60 sq.m., we expect we would be able to generate cash from proceeds from both sale and pre-sale of our development projects.

Our Directors are of the opinion and the Sole Sponsor concurs that after taking into account the existing financial resources available to us, the available borrowings, the expected internally generated funds and the estimated net proceeds from the Global Offering, we have sufficient working capital for our business and operations for the next 12 months from the date of this prospectus. The Sole Sponsor concurs, that we have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus.

MARKET RISKS

We are exposed to a variety of market risks in the normal course of business, including foreign exchange risk, credit risk, liquidity risk and interest rate risk, as set out below. We regularly monitor our exposure to these risks and as of the Latest Practicable Date, did not hedge or consider necessary to hedge any of these risks. However, our overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on our financial performance. Our Board is responsible for setting the objectives and underlying principles of financial risk management.

Credit risk

Our Group's credit risk is primarily attributable to cash and cash equivalents, pledged and restricted deposits, trade and other receivables, amounts due from associates and joint ventures and other financial assets. Our Group maintains a credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents and pledged and restricted deposits held by our Group are mainly deposited in and our Group's other financial assets are purchased from financial institutions such as commercial banks which maintain sound reputation and financial situation. The credit risk is considered low.

In respect of trade receivables, our Group reviews regularly the recoverable amount of each individual receivables to ensure that adequate impairment losses are made for irrevocable amounts. The credit risk is minimised as our Group normally receives full payment from buyers before the transfer of legal title of property ownership.

In respect of other receivables due from third parties, our Group reviews the exposures and manages them based on the need of operation.

In respect of amounts due from related parties, our Group facilitates their capital demand by assessing and closely monitoring their financial conditions and profitability.

Except for the financial guarantees given by our Group as set out in note 30 to the Accountants' Report in Appendix I to this prospectus, our Group does not provide any other guarantees which would expose our Group to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial positions.

Liquidity risk

Our Group's management has maintained a policy to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

Details of maturity analysis for financial liabilities are disclosed in Note 27(b) to the Accountants' Report in Appendix I to this prospectus.

Interest rate risk

Our Group's interest rates risk arises primarily from bank loans and cash at bank issued at variable rates that expose our Group to cash flow interest rate risk.

Our Group does not use financial derivatives to hedge against the interest rate risk.

The interest rates of cash at bank, pledged and restricted cash, and bank loans of our Group are disclosed in Note 27(c) to the Accountants' Report in Appendix I to this prospectus. All bank loans of our Group were with variable interest rate.

Sensitivity analysis

As at 31 December 2015, it is estimated that a general increase/decrease of 30 basis points in interest rates, with all other variables held constant, would have decreased/ increased our Group's loss after tax and increased/decreased retained profits by approximately RMB68,000.

As at 31 December 2016 and 30 June 2018, it is estimated that a general increase/ decrease of 30 basis points in interest rates, with all other variables held constant, would have increased/decreased our Group's profit after tax and retained profits by approximately RMB584,000, and RMB584,000 respectively.

It is estimated that a general increase/decrease of 30 basis points in interest rates for saving deposits and interest bearing loans, with all other variables held constant, would have decreased/increased our Group's profit after tax and retained profits by approximately RMB400,000 as at 31 December 2017.

The sensitivity analysis above indicates the annualised impact on our Group's interest expense or income of such a change in interest rates, assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to all floating rate bank loans and cash at bank, without taking into account the impact of interest capitalisation. The analysis is performed on the same basis for 2015 to the six months ended 30 June 2018.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios for the periods or as of the dates indicated:

	Year ended/as at 31 December			Six months ended/as at 30 June
	2015	2016	2017	2018
Net profit margin (%)(1)	N/A(7)	14.6	7.9	15.1
Return on equity (%)(2)	N/A(7)	90.9	28.7	N/A(9)
Current ratio(3)	1.0	1.0	1.0	1.0
Gearing ratio (%)(4)	112.6	N/A(8)	111.7	170.9
Net debt to equity ratio (%)(5)	13.4	N/A(8)	76.6	N/A
Return on total assets (%)(6)	N/A(7)	6.5	4.1	N/A(9)

Notes:

1. Equals to net profit for the year/period divided by revenue of the respective year/period.

2. Equals to net profit for the year divided by total equity as of the end of the respective year.

3. Equals to current assets divided by current liabilities as of the end of the respective year/period.

4. Equals to total interest-bearing bank loans divided by total equity as of the end of the respective year/period.

5. Equals to total interest-bearing bank loans less cash and cash equivalents as a percentage of total equity as of the end of the respective year/period.

6. Equals to net profit for the year divided by total assets as of the end of the respective year.

7. The figure is not meaningful as our Company was loss-making at the end of the respective year.

8. The figure is not meaningful as there was no bank loan at the end of the respective year.

9. The six-month figure is not meaningful as it is not comparable to an annual figure.

Net profit margin

Net loss was recognised for the year ended 31 December 2015, while our net profit margin was approximately 14.6%, 7.9% and 15.1% for the two years ended 31 December 2017 and the six months ended 30 June 2018, respectively.

The improvement of our net profit margin from 2015 to 2016 was mainly due to (i) the increase in revenue for the year ended 31 December 2016 as a result from the increase in GFA recognised during the year; and (ii) the level of administrative expenses remained stable for the two years ended 31 December 2016.

The decrease of our net profit margin from 2016 to 2017 was mainly due to (i) the decrease in gross profit arisen from higher land acquisition and development cost for the year ended 31 December 2017; and (ii) the increase in administrative cost arisen from our business expansion and listing preparation for the year ended 31 December 2017.

Return on equity

Net loss was recognised for the year ended 31 December 2015, while our return on equity was approximately 90.9% and 28.7% for the two years ended 31 December 2017, respectively.

The improvement in our return on equity from 2015 to 2016 was primarily due to the increase in revenue as a result of the factors mentioned in the sub-paragraph headed "Net profit margin" above and the level of administration expenses remained stable for the two years ended 31 December 2016.

The return on equity decreased from approximately 90.9% for the year ended 31 December 2016 to approximately 28.7% for the year ended 31 December 2017. Such decrease was primarily due to the decrease in gross profit and the increase in administrative expenses as a result of the factors mentioned in the sub-paragraph headed "Net profit margin" above.

Current ratio

Our current ratio remained stable as at 31 December 2015, 2016 and 2017 and 30 June 2018.

Gearing ratio

Our gearing ratio was approximately 112.6% and 111.7% as at 31 December 2015 and 2017, respectively, while no debt was in the book as at 31 December 2016 due to the full repayment of bank loans during the year. Our gearing ratio increased to approximately 111.7% as at 31 December 2017 and further increased to approximately 170.9% as at 30 June 2018 as we obtained bank loans for development project.

Net debt to equity ratio

Our net debt ratio was approximately 13.4%, N/A, 76.6% and N/A as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively. The fluctuation trend of the net debt to equity ratio as at 31 December 2015, 2016 and 2017 are generally in line with those of our gearing ratio as disclosed above. Net cash was recorded as at 30 June 2018.

Return on total assets

Net loss was recognised for the year ended 31 December 2015, while our return on total assets was approximately 6.5% and 4.1% for the two years ended 31 December 2017, respectively.

The improvement in our return on total assets from 2015 to 2016 was due to increase in revenue as a result of the factors mentioned in the sub-paragraph headed "Net profit margin" above.

Our return on total assets decreased from approximately 6.5% for the year ended 31 December 2016 to approximately 4.1% for the year ended 31 December 2017, which was primarily attributable to the decrease in the net profit in 2017, which outweighed the decrease in the total assets of our Group.

The decrease in net profit in 2017 was primarily due to the (i) decrease in gross profit; and (ii) increase in administrative expenses as a result of the factors mentioned in the sub-paragraph headed "Net profit margin" above.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purposes only, the following statement of unaudited pro forma adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules to show the effect of the Global Offering on the net tangible assets of our Group attributable to equity shareholders of the Company as of 30 June 2018 based on the consolidated net assets extracted from the historical financial information of our Group as of 30 June 2018 as set out in Accountants' Report in Appendix I to this prospectus and adjusted as follows:

	Consolidated net tangible assets of our Group attributable to equity shareholders of our Company as of 30 June 2018(1)	Estimated net proceeds from the Global Offering(2)(5)	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity shareholders of our Company(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share(4 & 5)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$1.07 per Share	133,507	156,041	289,548	0.39	0.44
Based on an Offer Price of HK$1.33 per Share	133,507	196,870	330,377	0.44	0.50

Notes:

1. The consolidated net tangible assets of our Group attributable to equity shareholders of the Company as of 30 June 2018 is extracted from the Accountants' Report, which is based on the consolidated net assets of the Group attributable to equity shareholders of our Company as of 30 June 2018 of approximately RMB133.5 million.

2. The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$1.07 and HK$1.33 per Share, being the low and high ends of the indicative Offer Price range, after deduction of the estimated underwriting fees and other related expenses related to Global Offering (excluding approximately RMB9,713,000 listing expenses which has been charged to profit or loss up to 30 June 2018) and the issuance of 187,500,000 shares, assuming the Over-allotment Option and any options which may be granted under the Share Option Scheme are not exercised, and excluding any Shares which may be issued or repurchased by our Company pursuant to the general mandates.

3. The adjusted consolidated net tangible assets of our Group attributable to equity shareholders of our Company excluded the capitalisation of amounts due to our Controlling Shareholders as described in paragraph headed "Amounts due to related parties" under the section headed "Financial information" in this prospectus.

4. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after the adjustments for the estimated net proceeds from the Global Offering referred to in the preceding paragraphs and on the basis that 750,000,000 Shares are expected to be in issue following the Global Offering, but do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, and any Shares which may be issued or repurchased by our Company pursuant to the general mandates.

5. For purposes of the estimated net proceeds of the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity shareholders of our Company per Share are converted into RMB and Hong Kong dollars respectively at an exchange rate of HK$1.0 to RMB0.8725. No representation is made that the Hong Kong dollars amounts have been, could have been or may be converted to RMB, or vice versa, at that rate.

6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2018.

PROPERTY INTERESTS AND PROPERTY VALUATION

Colliers, an independent property valuer, has valued our property interests as at 30 September 2018 and is of the opinion that the aggregate value of our properties as of such date was approximately RMB5,471.3 million. The aggregate value of our property interests attributable to us was approximately RMB3,214.5 million. Please refer to the property valuation report in Appendix III to this prospectus for details of the property interests as at 30 September 2018 of properties of our Group prepared by Colliers.

The table below sets out the reconciliation between the net book value of our properties as at 30 June 2018 as extracted from the Accountants' Report in Appendix I to this prospectus and the market value of our properties as at 30 September 2018 as extracted from our property valuation report set out in Appendix III to this prospectus:

Net book value of the following properties as at 30 June 2018 as set out in Appendix I to this prospectus:	**RMB'000**
— Complete properties for sale	459,988
— Properties under development	829,269
— Properties held for development	151,369
— Property, plant and equipment — Lands and buildings	57,719
— Investment properties	31,300
Subtotal	1,529,645
Net book value of the above properties as at 30 June 2018 not attributable to our Group	(514,385)
Net book value of the above properties as at 30 June 2018 attributable to our Group	1,015,260
Net book value of the properties of joint ventures and associates of our Group as at 30 June 2018 attributable to our Group	532,160
Add: Net increase during the period from 1 July 2018 to 30 September 2018	80,096
Add: Changes in fair value of investment properties	—
Total net book value of the properties as at 30 September 2018 attributable to our Group	1,627,516
Revaluation surplus	1,586,959
Market value of the properties as at 30 September 2018 attributable to our Group as set out in property valuation report in Appendix III to this prospectus	3,214,475

DIVIDENDS

We did not declare any dividends during the Track Record Period.

We currently do not have any plans for declaring dividends. We do not currently have a dividend payment plan or policy. Declaration of dividends is subject to the discretion of our Directors, depending on our results of operation, working capital and cash position, future business and earnings, capital requirements, contractual restrictions under our bank loan agreements, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles, which provides that our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Directors, and (ii) the applicable laws of the Cayman Islands, which provides that dividends may be paid out of the profits of a company or out of sums standing to the credit of its share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts due in the ordinary course of business. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future. Any future declarations and payments of dividends will be at the discretion of our Directors subject to applicable laws. Under applicable PRC law, our subsidiary in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

LISTING EXPENSES

Our Group's financial performance for the year ending 31 December 2018 will be affected by the non-recurring expenses incurred in relation to Listing. The total listing expenses are estimated to be approximately RMB29.6 million (equivalent to HK$33.9 million) (assuming an Offer Price of HK$1.20 per Offer Share, being the mid-point of our indicative Offer Price range of HK$1.07 to HK$1.33 per Offer Share, and that the Over-allotment Option is not exercised). The listing expenses are non-recurring in nature and are mainly consisted of underwriting commission, professional fees paid to the Sole Sponsor, the legal advisers, the reporting accountants and other professional parties for the provision of their services in connection with the Global Offering. Of the aggregate listing expenses of approximately RMB29.6 million (equivalent to HK$33.9 million), of which approximately (i) RMB13.0 million (equivalent to HK$14.9 million) is directly attributable to the issue of the Offer Shares and to be accounted for as a deduction from equity upon Listing; and (ii) RMB16.6 million (equivalent to HK$19.0 million) was/will be charged as expenses to our consolidated statements of profit or loss, of which approximately RMB1.0 million (equivalent to HK$1.1 million) and approximately RMB8.7 million (equivalent to HK$10.0 million) was charged for the year ended 31 December 2017 and for the six months ended 30 June 2018, respectively, and the balance of approximately RMB6.9 million (equivalent to HK$7.9 million) is expected to be charged for the six months ending 31 December 2018. The amount of listing expenses is a current estimate for reference only and the final amount to be recognised to the profit or loss of our Group for the year ending 31 December 2018 is subject to audit and the actual changes in variables and assumptions.

RECENT DEVELOPMENTS

Our business operations had remained stable after the Track Record Period and up to the date of this prospectus as there were no material changes to our business model and the general economic and regulatory environment in which we operate.

During the month ended 31 July 2018, we commenced construction of Dragon Palace Phase 1, pre-sale thereof took place in the third quarter in 2018 and completion thereof is expected to take place in the second quarter in 2020.

During the period from 31 July 2018 to the Latest Practicable Date, the number of development projects remained unchanged (i.e. 17 development projects).

We further obtained financing for our development projects after the Track Record Period. In July 2018, our Group obtained bank loan facilities of approximately RMB1,450.0 million for funding the construction and development of Dragon Terrace Phases 1 and 2. In addition, we also obtained financing for repayment of balances due to our Controlling Shareholders prior to Listing. In October 2018, our Group obtained bank loan facility with a principal amount of approximately HK$100.0 million.

Our development projects, namely Million Cities Legend Phase 2 and Crown Grand Court, have commenced pre-sale in January and May 2018, respectively. Given around nine and five months, respectively, after commencement of the pre-sale of each of Million Cities Legend Phase 2 and Crown Grand Court, as at 30 September 2018, the percentage of saleable GFA pre-sold to the total saleable GFA of the development project had reached approximately 61.19% and 59.08%, respectively.

Further, our development project in Tianjin, namely Million Cities Tycoon Place Phase 4, was subject to certain purchase restrictions imposed by the relevant PRC authorities. For details of such purchase restrictions, please refer to the sub-paragraph headed "Sales after completion of commodity properties" under the paragraph headed "Real estate transactions" under the section headed "Regulatory overview" in this prospectus. Million Cities Tycoon Place Phase 4 commenced pre-sale in September 2018, and given the short period of time (i.e. less than one month) after commencement of the pre-sale, the percentage of saleable GFA pre-sold to the total saleable GFA of this development project as at 30 September 2018 had reached approximately 37.12%.

Although there may be external factors affecting the pre-sale of our development projects, such as the slowdown of economy in the PRC and the purchase restrictions imposed by the relevant PRC authorities in Tianjin, considering the positive pre-sale results of our development projects in 2018, our Directors consider that (i) purchase restrictions imposed by the relevant PRC authorities in Tianjin will not have material adverse impact on our Company; and (ii) there will be sufficient demand for our future development projects.

Our Directors believe that the outlook and development potential of Huizhou in Guangdong Province remains attractive as the central government planned to develop the Greater Bay Area to a world class cluster, transforming from the "World Factory" to a dynamic hub of innovation and services, comparable to San Francisco Bay Area, Greater New York and Greater Tokyo Area. With the upcoming infrastructure improvement in the Greater Bay Area, Huizhou will be the interchange hub of Ganshen high speed train line and Guangshen high speed train line by 2021. The opening of Guangzhou-Shenzhen Hong Kong Express Rail Link in 2018 has shortened the travelling time from Huizhou to Hong Kong to about 50 minutes. Upon completion of the infrastructure projects in the Greater Bay Area, cross-city travelling from Huizhou to other cities in the Greater Bay Area will be limited to approximately one hour. Within the one-hour living zone, it is expected that surrounding cities share the same border with Huizhou, including Guangzhou, Dongguan and Shenzhen, will become the direct catchment area of the real estate market of Huizhou.

At the same time, Huizhou aimed to develop itself into a hub of innovation and technology and is positioned to be a hi-tech conversion area. Example can be seen in the development of the Tonghu Ecological Intelligent Zone which plans to become the "Silicon Valley" in Guangdong Province. According to the local government's plan, it is expected that the population of Tonghu Ecological Intelligent Zone will reach approximately 170,000 by the end of 2020, representing an increase of approximately four times as compared to the same in 2016, and an increase in GDP at a CAGR of approximately 19.4% from 2017 to 2030. In terms of Huizhou, according to the local government's plan, the GDP is expected to increase at a CAGR of approximately 5.5% from 2017 to 2022, and the population is expected to increase at a CAGR of approximately 23.3% from 2017 to 2020.

In light of the Greater Bay Area concept, upcoming infrastructure improvement, foreseeable population increase and economic growth, our Directors consider that the outlook of the property market in the Greater Bay Area, including Huizhou, will be positive. With Huizhou being one of the focused cities of our Group and our strong foothold in the city, such positive outlook of the property market in Huizhou will be beneficial to our Group and it is expected that there will be sufficient demand for our future development projects in the relevant locations.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since 30 June 2018, and there is no event since 30 June 2018 which would materially affect the information shown in the Accountants' Report which sets out in Appendix I to this prospectus.

SUBSEQUENT EVENTS

There is no material subsequent event undertaken by our Group after 30 June 2018, being the date on which our latest consolidated financial statements were prepared, up to the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial position in the last 12 months. Except to the extent disclosed in the paragraph headed "Recent developments" above, our Directors confirm that there has been no material adverse change in our financial, operational or trading position since 30 June 2018 (being the date as of which our latest consolidated financial statements were prepared as set out in Appendix I to this prospectus) and up to the date of this prospectus.

DISCLOSURE UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please see the paragraph headed "Our strategies" under the section headed "Business" in this prospectus for a detailed description of our future plans.

REASONS FOR LISTING

Our Directors believe that Listing is strategically crucial to our Group for the reasons set out below:

(i) Implementation of our future plans

We intend to strengthen our position as a regional property developer in the PRC focusing on the development of affordable luxury residential properties by implementing our future plans. Our future plans involve, among others, exploring suitable areas in the PRC to develop properties for sale, which include (i) surroundings areas of location that are covered by our existing business, including the Greater Bay Area, Tianjin and Henan Province; (ii) areas that are undergoing economic and social development, with growth potential and investment opportunities; or (iii) areas that are undergoing development in real estate market, with stable land supply that leads to lower land acquisition cost and potential growth in prices of real estate properties, and have relatively fewer regulatory restrictions on land planning, design and construction, and sales and mortgage of real estate properties. For further details regarding our future plans, please refer to the paragraph headed "Our strategies" in the section headed "Business" in this prospectus.

Our cash and cash equivalents as at 30 June 2018 amounted to approximately RMB474.5 million, approximately 59% of which were cash held in escrow accounts. The use of cash held in escrow accounts is subject to restrictions and such cash can only be used for funding construction costs of specific development projects. The rest of approximately 41% of such cash and cash equivalents, together with approximately 42.0% of the net proceeds of the Global Offering, is expected to, among others, fund some of our (i) construction and development costs of our development project, namely Million Cities Legend Phase 3; and (ii) land acquisition costs and construction and development costs of our future development projects which are currently under negotiation.

According to the Notice on Financially Promoting the Land Saving and Efficient Use (關於金融促進節約集約用地的通知) which was jointly issued by the PBOC and the CBRC on 29 July 2008, banks in the PRC are restricted from granting loans to property developers for the purpose of paying land grant premiums. Please refer to the paragraph headed "Real estate financing" under the section headed "Regulatory overview" of this prospectus for details of the financing restrictions imposed on property developers in the PRC. Although we have obtained loan facilities to fund the construction and development costs of some of our development projects, there is no guarantee we can obtain the same level of loan facilities in the future. Therefore, our Directors believe that it is necessary for our Group to keep a sufficient level of cash and cash equivalents, and net proceeds of the Global Offering in order to cope with our future land acquisition needs as well as the construction and development needs (if necessary). Our Directors believe that the net proceeds from Listing are good sources of cash for our Group.

(ii) Enhance our Group's corporate profile, credibility and brand awareness

It is expected that both public and private customers would tend to give preference to property developers who have a listing status with good reputation, transparent financial disclosure and regulatory supervision. We believe Listing can enhance our corporate profile, which will lead to greater presence of our Group within the PRC property market. We strive to achieve high standards of corporate governance and to promote transparency when our Company is listed on the Stock Exchange. With more exposure, higher corporate transparency and higher level of public scrutiny, we believe our Group can deliver greater assurance and credibility to both our existing and potential business partners, customers and suppliers, hence become more competitive in the industry in attracting more business opportunities.

(iii) Enhance our Group's market status amongst existing and potential business partners, customers and suppliers, government authorities and employees

Our Directors believe that a listing status will enhance our credibility with our business partners. Thus, our position would be more favourable when negotiating on cooperation arrangements with both existing and potential business partners for our development projects. With such status, our Group can be more flexible in terms of profit sharing and involvement level of daily operation of project companies and create synergy with business partners for future development projects and, thus, differentiated ourselves from other competitors.

Our Directors expect that customers and suppliers in general would tend to give preference to property developers who have a public listing status with good reputation, transparent financial disclosure and regulatory supervision. Our Directors therefore believe that Listing is the key strategy for us to enhance our level of competitiveness among other properties developers in the PRC.

To effectively implement our strategies involving developing properties in areas with growth potential, our Directors also believe that as a listed company, we will be able to have higher credibility and, in turn, higher bargaining power and market status when negotiating with local government in relation to our property development proposals, including the grant of land, land sale terms and conditions development planning parametres and scale of properties and property pre-sale schedule and price.

We believe that a listing status will create a higher level of job security for our employee, hence strengthening their morale at work and our ability to retain our staff. We believe that a loyal team of well-trained and experienced workforce will improve the quality of our services and efficiency of our day-to-day operations to the benefit of our long-term development and competitiveness. Moreover, we believe that a listing status will increase our ability to attract experienced personnel to join our Company, which is favourable to our future expansion.

(iv) Enhance capital market accessibility and ease of raising funds in capital market

Whilst our Group was able to expand our business using funds generated from operations and borrowings during the Track Record Period and had been able to repay loans when they fell due in the past, our Group plans to seek equity financing as it would reduce our reliance on bank loans or borrowing from our Controlling Shareholders. Our Directors believe that our Group will be open to more financing options for future growth through access to capital markets after Listing. Following Listing, we will have the option to raise additional funds through the issuance of equity and/or debt securities and apply such funds on our development projects. On the other hand, we believe a listed status will strengthen our position in negotiating and may enable us to obtain more favourable terms with our business partners, suppliers, banks and financing institutions. Furthermore, with the option of equity financing, our Group will be able to maintain a lower gearing level, which will reduce our leverage, and enhance our capital structure. Our Directors also believe that the use of equity financing would reduce our interest expenses relative to relying on debt financing. Upon Listing, we believe our shareholder base will be more diversified which we may tap into for further funding needs. With greater flexibility in fund-raising, our Group will have more flexibility in obtaining capital and fund for our developments in order to cater our financing need from time to time.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$1.20 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$191.1 million, after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Global Offering and assuming the Over-allotment Option is not exercised, and no Shares are issued pursuant to any options which may be granted under the Share Option Scheme. We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 42.0%, or HK$80.3 million, will be used to fund ongoing and future development projects, of which:

    i. approximately 36.0%, or HK$68.8 million, will be used to fund land acquisition cost and future development costs for potential development projects;

    ii. approximately 6.0%, or HK$11.5 million, will be used to fund future development costs for Million Cities Legend Phase 3.

- approximately 52.3%, or HK$100.0 million, will be used to repay the pre-IPO loan with a principal amount of approximately HK$100.0 million (the "**Pre-IPO Loan**") which was obtained for the purpose of repayment of balances due to our Controlling Shareholders prior to Listing. Such balances due to our Controlling Shareholders and its associates were due from subsidiaries, joint ventures and associates of our Group where the majority of them are domiciled in offshore location, while most of our Group's cash is located in the PRC. According to the relevant PRC laws, our Group has to rely on dividend payment as a means to repay balances due to our Controlling Shareholders if our Group has to use cash located in the PRC. However, such dividend would be subject to withholding tax and it would be larger than the amount of balances due to our Controlling Shareholders as the payment of such dividend had to be made in proportion to equity holdings where our Group does not wholly own each subsidiary, joint venture and associate in the PRC. In addition, some of our onshore cash is subject to restrictions and has designated use for development projects, and if our cash was used to repay our Controlling Shareholders, we would have to source additional onshore funds to finance normal business operations and future development projects. Considering the above, our Group considers that repaying balances due to our Controlling Shareholders by the Pre-IPO Loan would be more desirable in terms of procedures and convenience. The interest rate charged to the Pre-IPO Loan is 4% per annum over HIBOR or the bank's cost of funds, and the Pre-IPO Loan is repayable within one year from the date of drawdown or within 10 business days from the date of Listing. The Pre-IPO Loan was fully drawn down on 6 November 2018; and

- approximately 5.7%, or HK$10.8 million, will be used for general working capital purposes.

As disclosed under the sub-paragraph headed "Description of our development projects" under the paragraph headed "Our development projects" under the section headed "Business" in this prospectus, our development projects was financed by our Group's working capital, shareholders' loans and bank loans historically. Historically, our Group explored and evaluated various financing options given the size and scale of business operations of our Group and the availability of funding sources. Our Group financed our project development costs and land acquisition cost by our operating cashflows, bank borrowings, and shareholders' loans.

As disclosed under the paragraph headed "Net current assets" under the section headed "Financial information" in this prospectus, as at 30 June 2018, the cash and cash equivalents of our Group amounted to approximately RMB474.5 million. Among such cash and cash equivalents balance, approximately 41% of which was cash and bank balance, the use of which was not subject to any restrictions, and approximately 59% of which was cash held in escrow accounts which were pre-sale proceeds earmarked for our development projects, namely Million Cities Legend Phase 2 and Crown Grand Court. Uses of the cash held in escrow accounts are subject to restrictions, and such cash can only be used for funding construction costs of our development projects, namely Million Cities Legend Phase 2 and Crown Grand Court.

In addition, as disclosed under the sub-paragraph headed "Bank loans" under the paragraph headed "Indebtedness and contingent liabilities" under the section headed "Financial information" in this prospectus, as at the Latest Practicable Date, our Group has unutilised loan facilities of approximately RMB392.6 million. According to the Notice on Financially Promoting the Land Saving and Efficient Use (關於金融促進節約集約用地的通知) which was jointly issued by the PBOC and the CBRC on 29 July 2008, banks in the PRC are restricted from granting loans to property developers for the purpose of paying land grant premiums. Please refer to the paragraph headed "Real estate financing" under the section headed "Regulatory overview" in this prospectus for details of the financing restrictions imposed on property developers in the PRC. Given the above-mentioned restrictions, the banks in the PRC usually require property developer to pledge relevant piece(s) of land for bank loan facility(ies) to finance the relevant development project, even though our Group had been successful in obtaining bank loan facilities for our development projects, bank loan facilities which will be obtained in the future could not be used to finance land acquisition costs, and could only be used to finance cost of development, subject to fulfilment of certain requirements of the relevant banks by our Group and under strict supervision by the relevant banks. The use of the unutilised loan facilities was restricted to funding development costs of our particular development projects, namely Million Cities Legend Phase 2, Crown Grand Court and Million Cities Tycoon Place Phases 3 and 4, which excluded land acquisition costs.

It was our Group's development plan to leverage on our brand name and experience to continue developing affordable luxury residential properties in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province, and expand our operations into other places in the Greater Bay Area and other locations in the PRC which we consider with potential growth. When we look for suitable potential land acquisition targets, we would consider various factors, including, among others, (i) usage of the relevant parcel of land to ensure such parcel of land is mainly for residential use; (ii) site area of the relevant parcel of land of generally not less than 30,000 sq.m. and GFA of generally not less than 60,000 sq.m.; (iii) population, facilities and transportation network of the surrounding neighbourhood and ways of usage of the State-owned site, government's development plans and government preferential policies to ensure there is potential demand for residential properties on such land. After we have chosen site(s), we will, among other things, create a budget for the development project with inclusion of the expected land acquisition costs and development costs, and calculate a target average selling price and profit margin for the potential development project to estimate the expected investment cost and return. Please refer to the sub-paragraph headed "Selection of site, feasibility study and land acquisition" under the paragraph headed "Our development projects" under the section headed "Business" in this prospectus for further details regarding our selection process of land acquisition.

With favourable supply plans of residential land issued by the relevant government authorities in Huizhou in Guangdong Province, Tianjin and Henan Province in future, and based on our Group's network, business acumen and past experience in land acquisitions in Huizhou in Guangdong Province, Tianjin and Zhumadian in Henan Province, as well as the continuing urbanisation and steady growth of real estate industry in the PRC, our Directors believe that such suitable potential land acquisition targets are available in the PRC. Our Directors also believe that future land acquisitions will enhance our Group's land bank and market share in selected area which provide us with more stable revenue and income stream. For further details, please refer to the sub-paragraph headed "We intend to continue to focus on the development of properties on our land bank, in particular in the Greater Bay Area and locations in the PRC which we consider with potential growth" under the paragraph headed "Our strategies" under the section headed "Business" in this prospectus.

Due to the aforesaid restrictions and based on (i) our Group's development plan; (ii) our need to fund the construction and development costs from time to time in future; and (iii) our cash flow forecast for the 18 months ending 31 December 2019, we intend to apply a significant amount of cash for acquisition of land during the forecast period, while the expected cash flow to be generated from our operations and available cash balance during the forecast period and unutilised loan facilities may be insufficient to cover the expected cash required for acquisition of land, our Directors consider that there is a funding need to support our development and a need to apply approximately 42.0% of the net proceeds of the Global Offering to fund ongoing and future development projects, in particular land acquisition cost for future development.

The above allocation of proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$1.33 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK$23.4 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK$1.07 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK$23.4 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

UNDERWRITERS

Hong Kong Underwriters

China Everbright Securities (HK) Limited

ABCI Securities Company Limited

Sole Global Coordinator

China Everbright Securities (HK) Limited

Joint Bookrunners

China Everbright Securities (HK) Limited

ABCI Capital Limited

Joint Lead Managers

China Everbright Securities (HK) Limited

ABCI Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting arrangements

The Global Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriters on a several basis and subject to agreement on pricing of the Offer Shares between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us. The Hong Kong Underwriting Agreement was entered into on 7 December 2018 and in connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, the International Underwriters. The Hong Kong Underwriting Agreement is conditional upon (among other things) the International Underwriting Agreement being entered into, and the respective Underwriting Agreements are expected to be inter-conditional.

Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, we have agreed to offer the Hong Kong Offer Shares to the public in Hong Kong for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

Pursuant to the Hong Kong Underwriting Agreement, and conditional upon, *inter alia*, the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, our Shares, in issue and to be issued as mentioned in this prospectus (including but not limited to our Shares to be issued pursuant to the exercise of the Over-allotment Option), subject only to allotment and/or despatch of share certificates for the Offer Shares and such other usual conditions for transaction of this nature and certain other conditions including the Offer Price being determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the entering into of the International Underwriting Agreement and the Price Determination Agreement on or before the Price Determination Date, the Hong Kong Underwriters have agreed to subscribe for, or procure subscribers to subscribe for, the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of the Hong Kong Underwriting Agreement, this prospectus and the Application Forms.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) is entitled to terminate the Hong Kong Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date ("**Termination Time**") to our Company if any of the following events shall occur prior to the Termination Time:

(a) there comes to the notice of any the Sole Sponsor, the Sole Global Coordinator or any of the Hong Kong Underwriters of any matter or event showing any of the representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement given by our Company or any of the executive Directors and our Controlling Shareholders to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Hong Kong Underwriting Agreement (other than those undertaken by the Hong Kong Underwriters, the Sole Sponsor and/or the Sole Global Coordinator) which, in any such cases, is considered, in the sole and reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), to be material and adverse in the context of the Global Offering; or

(b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(c) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), a material omission in the context of the Global Offering; or

(d) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of the executive Directors and our Controlling Shareholders arising out of or in connection with any representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement; or

(e) the International Underwriting Agreement is terminated pursuant to its terms; or

(f) there shall have developed, occurred, existed or come into force or effect:

(i) any new law or regulation or any material change in existing laws or regulations or any material change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI, the PRC, any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to our Group (the "**Relevant Jurisdiction**"); or

(ii) any change in, or any event or series of events or development resulting or likely to result in any material change in the local, national, regional or international financial, currency or stock market conditions or prospects, or political, military, industrial or economic conditions or prospects in the Relevant Jurisdiction; or

(iii) any change in the conditions of Hong Kong, the U.S., the PRC or international equity securities or other financial markets; or

(iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(v) any change or prospective change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdiction adversely affecting an investment in our Shares; or

(vi) any material adverse change or prospective material change in the business or in the financial or trading position or prospects of any member of our Group; or

(vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, on Hong Kong or the PRC or any Relevant Jurisdictions; or

(viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or

(ix) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance) which would or might have an adverse effect on any member of our Group, which, in the sole and reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(aa) is or will be material and adverse to the business, financial or trading condition or prospects of our Group taken as a whole or, in the case of sub-paragraph (iv) above, on any present shareholder in his/her/its capacity as such shareholder of our Company; or

(bb) has or will have a material adverse effect on the success of the Global Offering as a whole or the level of the Offer Shares being demanded, applied for or accepted, the distribution of the Offer Shares; or

(cc) for any reason makes it materially impracticable or inadvisable or inexpedient to proceed with the Global Offering as a whole.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or any change of the value of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions.

Undertakings

Undertakings under the Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, our Company has undertaken to and covenanted with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Loan Capitalisation, the Capitalisation Issue, the grant of the Over-allotment Option, any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the Memorandum and the Articles or any consolidation, sub-division or capital reduction of the Shares, our Company shall not:

(a) allot and issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of our Company, or offer or agree to do any of the foregoing or announce any intention to do so at any time during the period commencing from the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date ("**First Lock-up Period**"); or

(b) at any time during the First Lock-up Period, subject to the Listing Rules and the Takeovers Codes, make or agree to make any repurchase of Shares or other securities of our Company.

In the event of an issue or disposal of any Shares or any interest therein at any time during the six months commencing on the date which the First Lock-up Period expires (the "**Second Lock-up Period**"), our Company shall take all reasonable steps to ensure that we will not create disorderly or false market in the Shares or any other securities of our Company.

Under the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to us, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that, save as (i) pursuant to the Global Offering or the Stock Borrowing Agreement; or (ii) permitted under the Listing Rules:

(a) he/she/it shall not, and shall procure that none of his/her/its associates or any company controlled by him/her/it or any of his/her/its associates, nominees or trustees holding in trust for him/her/it will, at any time during the First Lock-up Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (the "**Banking Ordinance**")), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares (or any interest therein) directly or indirectly owned by him/her/it or in which he/she/it is, directly or indirectly, interested immediately after completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue or any interest in any shares in any company controlled by him/her/it which is the beneficial owner of any of these Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (save any Shares returned under the Stock Borrowing Agreement) provided further that any such acquisition would not result in any breach of Rule 8.08 of the Listing Rules;

(b) each of our Controlling Shareholders shall not, and shall procure that none of his/her/its associates or any company controlled by him/her/it or any of his/her/its associates, nominees or trustees holding in trust for him/her/it will, at any time during the Second Lock-up Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares (or any interest therein) directly or indirectly owned by him/her/it or in which he/she/it is, directly or indirectly, interested immediately after completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue or any interest in any shares in any company controlled by him/her/it which is the beneficial owner of any of these Shares, or announce any intention to do so, if, immediately following such action, our Controlling Shareholders, when taken together, would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company; and

(c) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date by reference to which disclosure of his/her/its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

    (i) when he/she/it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company or those of each of our Controlling Shareholder beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as requested by us, the Sole Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters); and

    (ii) subsequent to the pledge or charge or creation of rights or encumbrances over our Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) above, when he/she/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform us of such indications, and inform the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Under Rule 10.08 of the Listing Rules, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such an issue of Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances as prescribed by Rule 10.08 of the Listing Rules.

Under Rule 10.07(1) of the Listing Rules, our Controlling Shareholders shall not, and procure that the relevant registered holder(s) shall not:

(a) during the First Lock-up Period, 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 our securities in respect of which they are shown by this prospectus to be the beneficial owners; or

(b) at any time during the Second Lock-up Period, 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 (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be our Controlling Shareholder (as defined in the Listing Rules).

In accordance with Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is the 12 months from the Listing Date, he/she/it will:

(1) when he/she/it pledges or charges any securities of our Company beneficially owned by him/her/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07 (2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

(2) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform us of such indications.

Under Note (3) to Rule 10.07 (2) of the Listing Rules, we are required to inform the Stock Exchange as soon as we have been informed of the matters referred to in (1) or (2) above by any of our Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company, executive Directors and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters on or before the Price Determination Date. It is expected that under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally agree to subscribe or procure subscribers to subscribe for the International Offer Shares to be initially being offered under the International Offering (subject to reallocation) on and subject to the terms of the International Underwriting Agreement. The International Underwriting Agreement is expected to contain force majeure provisions as that contained in the Hong Kong Underwriting Agreement as mentioned above. In the event that the International

Underwriting Agreement is not entered into on or before the Price Determination Date, or does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed and will lapse.

It is expected that under the International Underwriting Agreement, our Company will grant the Over-allotment Option to the International Underwriters, exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to allot and issue up to an aggregate of 28,124,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover over-allocations in the International Offering.

Commission and expenses

Pursuant to the terms of the Hong Kong Underwriting Agreement, our Company has agreed to pay to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and, in the case of the International Underwriting Agreement, our Company will agree to pay to the Sole Global Coordinator (for itself and on behalf of the International Underwriters), an underwriting commission of an amount up to 3.5% of the aggregate final Offer Price payable for the Offer Shares (including the Over-allotment Shares), out of which they will (as the case may be) pay any sub-underwriting commissions. The Sole Global Coordinator may, at our Company's discretion, receive an additional incentive fee of 0.5% of the aggregate sale proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option (at the sole discretion of our Company). Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK$1.20 (being the mid-point of the Offer Price range of HK$1.07 per Offer Share and HK$1.33 per Offer Share), such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Global Offering are estimated to be about RMB29.6 million in total and are payable by our Company.

Underwriters' interests in our Company

Save for their respective obligations and interests under the Underwriting Agreements as disclosed above and the appointment of the Sole Sponsor as compliance adviser of our Company, none of the Underwriters has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group nor any interest in the Global Offering.

Minimum public float

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, which is currently scheduled on Thursday, 13 December 2018, or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company may agree but in any event no later than on Tuesday, 18 December 2018. **If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Tuesday, 18 December 2018, the Global Offering will not become unconditional and will lapse**.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the Offer Price range as stated in this prospectus. The Offer Price will not be more than HK$1.33 per Offer Share and is expected to be not less than HK$1.07 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus 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.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the Offer Price range below as stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering:

(i) publish a notice of such a change on the website of the Stock Exchange (**www.hkexnews.hk**) and on our Company's website (**www.millioncities.com.cn**);

(ii) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;

(iii) extend the period under which the Global Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(iv) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of a notice of such change, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" of this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the website of the Stock Exchange (**www.hkexnews.hk**) and on our Company's website (**www.millioncities.com.cn**) of a reduction in the Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Public Offer will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Global Offering.

We expect to announce the final Offer Price, the level of indication of interests under the International Offering, the level of application under the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering on or before Wednesday, 19 December 2018 on our Company's website at **www.millioncities.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$1.33 per Offer Share and is expected to be not less than HK$1.07 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK$1.33 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK$2,686.8 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK$1.33 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering, the Loan Capitalisation, the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The entering into of the International Underwriting Agreement between, among others, our Company and the International Underwriters, and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, among other things, the Offer Price be agreed by no later than the Price Determination Date and the Price Determination Agreement has been duly entered into, and if relevant, as a result of the waiver of any conditions given by the Sole Global Coordinator (for itself and on behalf of the Underwriters)), and not being terminated in accordance with its terms or otherwise. Details of the Hong Kong Underwriting Agreement and grounds for termination are set out in the section headed "Underwriting" in this prospectus. If for any reason, the International Underwriting Agreement and the Price Determination Agreement are not entered into, the Global Offering will not proceed. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreements or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) may in its absolute discretion determine, the Global Offering will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed "Refund of your money" in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker other bank(s) licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Offering and the Hong Kong Public Offering. A total of 187,500,000 Shares will initially be made available under the Global Offering, of which 168,750,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the International Offering. The remaining 18,750,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the Hong Kong Public Offering. The number of Shares offered for subscription under the International Offering and the Hong Kong Public Offering will be subject to re-allocation on the basis described below and the number of Shares offered for subscription under the International Offering will also be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

THE INTERNATIONAL OFFERING

Our Company is initially offering, at the Offer Price, 168,750,000 Shares (subject to re-allocation as mentioned in the paragraph headed "Re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering" in this section below), representing 90% of the total number of Shares being initially offered under the Global Offering (before any exercise of the Over-allotment Option), for subscription by way of International Offering. The International Offering will be managed by the Sole Global Coordinator and is expected to be fully underwritten by the International Underwriters. Pursuant to the International Offering, it is expected that the International Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the International Offer Shares at the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. It is expected that the International Underwriting Agreement will be executed on or around the Price Determination Date.

Allocation of the International Offer Shares to professional, institutional and private investors pursuant to the International Offering will be based on a number of factors, including the level and timing of demand, 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 investor is likely to purchase further Shares, or hold or sell the Shares placed, after Listing. Such allocation is intended to result in a distribution of the International Offer Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of our Company and our Shareholders taken as a whole. Investors to whom International Offer Shares are offered are required to undertake not to apply for the Hong Kong Offer Shares under the Hong Kong Public Offering. The level of indication of interest in the International Offering is expected to be published on the website of the Stock Exchange (**www.hkexnews.hk**) and on our Company's website (**www.millioncities.com.cn**) on Wednesday, 19 December 2018. The International Offering is subject to the conditions stated in the paragraph headed "Conditions of the Global Offering" in this section above.

OVER-ALLOTMENT OPTION

It is expected that under the International Underwriting Agreement, our Company will grant the Over-allotment Option to the International Underwriters, exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to allot and issue up to an aggregate of 28,124,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover over-allocations in the International Offering. The additional Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option will be allocated to the International Offering and/or to satisfy the Sole Global Coordinator's obligation to return Shares borrowed under the Stock Borrowing Agreement. The Sole Global Coordinator may also cover any over-allocations under the International Offering through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the Offer Shares (including the Shares allotted and issued pursuant to the exercise of the Over-allotment Option) will represent about 27.7% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, the Loan Capitalisation, the Capitalisation Issue and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made in English on our Company's website at **www.millioncities.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

Based on an Offer Price of HK$1.20 per Offer Share (being the mid-point of the Offer Price range between HK$1.07 per Offer Share and HK$1.33 per Offer Share), the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised and after deducting related expenses, are estimated to be about HK$191.1 million. If the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of about HK$23.4 million, after deducting brokerages, commissions and expenses attributable to the exercise of the Over-allotment Option.

The Hong Kong Public Offering is open to the public as well as to institutional, professional and private investors in Hong Kong. The International Offering involves selective marketing of the International Offer Shares by the International Underwriters to professional, institutional and private investors. Investors may either apply for the Shares under the Hong Kong Public Offering or indicate an interest for the Shares under the International Offering, and may only receive an allocation of Shares under the Hong Kong Public Offering or the International Offering. The Offer Shares are not available for subscription by existing beneficial owners of the Shares, our Directors, chief executive of our Company or any of its subsidiaries or their respective associates, or any other connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Global Offering.

THE HONG KONG PUBLIC OFFERING

Our Company is initially offering, at the Offer Price, 18,750,000 Shares (subject to re-allocation as mentioned in the paragraph headed "Re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering" in this section below), representing 10% of the total number of Shares being initially offered under the Global Offering, for subscription under the Hong Kong Public Offering (before any exercise of the Over-allotment Option). The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. Applicants for the Hong Kong Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Hong Kong Public Offering is open to all members of the public in Hong Kong. An applicant for Hong Kong Offer Shares will be required to give an undertaking and confirmation in the relevant Application Form submitted by him/her that he/she has not applied for nor taken up any International Offer Shares nor participated in the International Offering. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offering is liable to be rejected.

The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided into two pools of 9,376,000 and 9,374,000 Hong Kong Offer Shares for pool A and pool B, respectively, for allocation purposes:

— Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

— Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B but not both. Multiple applications or suspected multiple applications within either pool or between pools and any application made for more than 100% of the Hong Kong Offer Shares initially available under either pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A or pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by each applicant. When there is over subscription under the Hong Kong Public Offering, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares 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. The results of the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares (with successful applicants' identification document numbers, where appropriate) are expected to be published in on our Company's website at **www.millioncities.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** on Wednesday, 19 December 2018.

Applications under the Hong Kong Public Offering from investors receiving the International Offer Shares under the International Offering will be identified and rejected and investors receiving the Hong Kong Offer Shares under the Hong Kong Public Offering will not be offered the International Offer Shares under the International Offering. Multiple applications or suspected multiple applications or applications for more than 100% of the Hong Kong Offer Shares initially available in either pool A or pool B for public subscription under the Hong Kong Public Offering (i.e. to apply for more than 9,376,000 Hong Kong Offer Shares for pool A and more than 9,374,000 Hong Kong Offer Shares for pool B) are liable to be rejected.

The Hong Kong Public Offering is subject to the conditions as stated in the paragraph headed "Conditions of the Global Offering" in this section above.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE HONG KONG PUBLIC OFFERING AND THE INTERNATIONAL OFFERING

The allocation of Offer Shares between the International Offering and the Hong Kong Public Offering is subject to adjustment on the following basis:

(a) where the International Offer Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator (for itself and on behalf of the Underwriters) has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator (for itself and on behalf of the Underwriters) deems appropriate;

(ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then, at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters), up to 18,750,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, such that the maximum number of the Offer Shares available under the Hong Kong Public Offering will not be more than 37,500,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 37,500,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 56,250,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 56,250,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 75,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 93,750,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(b) where the International Offer Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Global Offering, then, at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters), up to 18,750,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, such that the maximum number of the Offer Shares available under the Hong Kong Public Offering will not be more than 37,500,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In the event of a reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) or (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

In the event of a reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering in the circumstances under paragraphs (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.07 per Offer Share) stated in this prospectus.

Details of any re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement, which is expected to be made on Wednesday, 19 December 2018.

STABILISATION AND STOCK BORROWING AGREEMENT

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or actually purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent a decline in the initial Hong Kong Public Offering prices of the securities. In Hong Kong, the stabilisation price will not exceed the initial Offer Price.

In connection with the Global Offering, the Sole Global Coordinator, as stabilising manager, or any person acting for it, (for itself and on behalf of the Underwriters and not as agent for our Company) may over-allocate Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Sole Global Coordinator to conduct any such stabilisation action which, if commenced, may be discontinued at any time at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 28,124,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilisation action cannot be taken to support the price of the Offer Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering (the

"**Stabilisation Period**"). The Stabilisation Period is expected to expire on Saturday, 12 January 2019 and that after this date, when no further stabilising action may be taken, demand for our Shares, and therefore its price, could fall.

During the Stabilisation Period, the Sole Global Coordinator as stabilising manager or any person acting for it, may purchase or agree to purchase, or offer, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with any such stabilisation actions as described above, the Sole Global Coordinator as stabilising manager, or any person acting for it, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares. It may close out any such short position by exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired by it in the course of any stabilisation transactions in order to liquidate any position that has been established by such action.

The Sole Global Coordinator may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position, and the time period for which the Sole Global Coordinator will maintain such a position during the Stabilisation Period, are at the sole discretion of the Sole Global Coordinator and is uncertain. In the event that the Sole Global Coordinator liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Investors should be aware that the price of the Shares cannot be assured to stay at or above its Offer Price by the taking of any stabilising action. Stabilisation bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Offer Shares.

In order to facilitate the settlement of over-allocations, the Sole Global Coordinator, as the stabilising manager, or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

In this connection, the Sole Global Coordinator will enter into the Stock Borrowing Agreement with Fortune Speed whereby the Sole Global Coordinator may borrow up to 28,124,000 Shares from Fortune Speed, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by controlling shareholders following a new listing, provided the following requirements under Rule 10.07(3) of the Listing Rules are complied with:

— the Stock Borrowing Agreement will only be effected by the Sole Global Coordinator as stabilising manager for covering any short position arising from over-allocations under the International Offering prior to the exercise of the Over-allotment Option;

— the maximum number of Shares to be borrowed from Fortune Speed will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

— the same number of Shares so borrowed must be returned to Fortune Speed or its nominees on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on the Over-allotment Option may be exercised; and (ii) the day on which the Over-allotment Option is exercised in full;

— borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

— no payments will be made to Fortune Speed in relation to the Stock Borrowing Agreement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 20 December 2018, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 20 December 2018. The Shares will be traded in board lots of 2,000 Shares.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) or, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised 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, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Global Offering; or
- an associate or close 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.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 10 December 2018 to 12:00 noon on Thursday, 13 December 2018 from:

(i) the following address of the Hong Kong Underwriters:

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

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

(ii) Any of the following branches of the receiving bank:

District	Branch name	Branch address
Hong Kong Island	Head Office	83 Des Voeux Road Central, Hong Kong
	Wanchai Branch	1/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong
Kowloon	Tsimshatsui Branch	18 Carnarvon Road, Kowloon
	Yaumatei Branch	363 Nathan Road, Kowloon

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 10 December 2018 until 12:00 noon on Thursday, 13 December 2018 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 "Hang Seng (Nominee) Limited — Million Cities Holdings 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:

Monday, 10 December 2018	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 11 December 2018	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 12 December 2018	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 13 December 2018	**—**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 13 December 2018, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies 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 our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, the Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, 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) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator 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 through the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" above, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting applications under the White Form eIPO

You may submit your application through the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 10 December 2018 until 11:30 a.m. on Thursday, 13 December 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 13 December 2018 or such later time under the paragraph headed "10. Effect of bad weather on the opening of the applications lists" in this section.

No multiple applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental protection

The obvious advantage of **White Form eIPO** service is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Million Cities Holdings Limited" **White Form eIPO** application submitted via the **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System **(https://ip.ccass.com)** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
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 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 authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, 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 authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sole Global Coordinator 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;
- authorise our Company to place HKSCC Nominees'name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees'application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which

is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for the Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised 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 authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised 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 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 10 December 2018	**—**	**9:00 a.m. to 8:30 p.m.**
Tuesday, 11 December 2018	**—**	**8:00 a.m. to 8:30 p.m.**
Wednesday, 12 December 2018	**—**	**8:00 a.m. to 8:30 p.m.**
Thursday, 13 December 2018	**—**	**8:00 a.m. 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 and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 10 December 2018 until 12:00 noon on Thursday, 13 December 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 13 December 2018, the last application day or such later time as described in the paragraph headed "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 Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed "Personal data" applies to any personal data held by us, the Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 13 December 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of that company;
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that 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 Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and conditions of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone 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 Thursday, 13 December 2018. Instead they will open between 9:00 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 Thursday, 13 December 2018 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" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 19 December 2018 on our Company's website at **www.millioncities.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.millioncities.com.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, 19 December 2018;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 19 December 2018 to 12:00 midnight on Tuesday, 25 December 2018;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 19 December 2018 to Saturday, 22 December 2018;

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 19 December 2018 to Friday, 21 December 2018 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Global Offering" in this prospectus.

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 **White Form eIPO** Service Provider, you agree you're your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 9,374,000 Hong Kong Offer Shares.

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$1.33 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 19 December 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC

transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 19 December 2018. 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 Thursday, 20 December 2018 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 19 December 2018 or such other date as notified by us on our Company's website (**www.millioncities.com.cn**).

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the Application Form on or before Wednesday, 19 December 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 19 December 2018, 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 Wednesday, 19 December 2018, 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*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 19 December 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(iii) If you apply through the White Form eIPO* Service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 19 December 2018, or such other date as notified by our Company on our Company's website (**www.millioncities.com.cn**) as the date of despatch/collection of share certificates/e-Refund payment instructions/ refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 19 December 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be 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 Wednesday, 19 December 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of results" in this section above on Wednesday, 19 December 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 19 December 2018 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 Wednesday, 19 December 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 19 December 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our 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 our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-84, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MILLION CITIES HOLDINGS LIMITED AND CHINA EVERBRIGHT CAPITAL LIMITED

Introduction

We report on the historical financial information of Million Cities Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-84, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 June 2018, the statements of financial position of the Company as at 31 December 2016 and 2017 and 30 June 2018, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2015, 2016, 2017 and six months ended 30 June 2018 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-84 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 10 December 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018, the Company's financial position as at 31 December 2016 and 2017 and 30 June 2018 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial

Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS 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 26(d) to the Historical Financial Information which contains information about the dividends paid by the Company and its subsidiaries in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

10 December 2018

A HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi)

		Years ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4	58,482	894,784	973,093	52,478	263,009
Cost of sales		(42,881)	(668,116)	(767,680)	(34,600)	(139,898)
Gross profit		15,601	226,668	205,413	17,878	123,111
Valuation gains on investment properties	14(a)	100	2,000	1,670	—	1,420
Other net income	6	33,516	2,711	1,842	858	621
Selling expenses		(12,652)	(16,244)	(21,379)	(2,448)	(3,930)
Administrative expenses		(28,291)	(27,398)	(38,904)	(18,501)	(29,153)
Other expenses	7	(38)	(697)	(6,702)	(3,428)	(236)
Profit/(loss) from operations		8,236	187,040	141,940	(5,641)	91,833
Finance costs	8(a)	(1,868)	(397)	(219)	(134)	(40)
Share of profits less losses of associates		—	—	(252)	(5)	(786)
Share of profits less losses of joint ventures		—	—	(82)	17	(181)
Profit/(loss) before taxation		6,368	186,643	141,387	(5,763)	90,826
Income tax	9	(13,028)	(55,676)	(64,610)	(2,043)	(51,206)
(Loss)/profit for the year/period		(6,660)	130,967	76,777	(7,806)	39,620
Attributable to:						
Equity shareholders of the Company		418	68,007	38,592	(7,905)	16,800
Non-controlling interests		(7,078)	62,960	38,185	99	22,820
(Loss)/profit for the year/period		(6,660)	130,967	76,777	(7,806)	39,620
Basic and diluted (losses)/earnings per share (RMB)	12	N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Loss)/profit for the year/period	(6,660)	130,967	76,777	(7,806)	39,620
Other comprehensive income for the year/period (after reclassification adjustments)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of Hong Kong and overseas subsidiaries	(34,776)	(42,222)	47,009	21,067	(6,483)
Other comprehensive income for the year/period, net of nil tax	(34,776)	(42,222)	47,009	21,067	(6,483)
Total comprehensive income for the year/period	(41,436)	88,745	123,786	13,261	33,137
Attributable to:					
Equity shareholders of the Company	(22,460)	40,228	70,668	6,364	12,158
Non-controlling interests	(18,976)	48,517	53,118	6,897	20,979
Total comprehensive income for the year/period	(41,436)	88,745	123,786	13,261	33,137

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

		As at 31 December			As at 30 June
		2015	2016	2017	2018
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	13	14,805	29,492	61,582	59,825
Investment properties	14	26,210	28,210	29,880	31,300
Interest in associates	16	—	—	87,078	106,220
Interest in joint ventures	17	—	—	43,956	55,775
Deferred tax assets	25(b)(i)	10,274	5,338	1,352	2,363
		51,289	63,040	223,848	255,483
Current assets					
Inventories and other contract costs	18	1,527,591	1,396,490	1,267,255	1,442,405
Trade and other receivables	19	126,175	271,927	231,596	227,158
Other financial assets	20	32,333	35,000	40,000	—
Pledged and restricted deposits	21	59,365	155,575	27,519	149,952
Cash and cash equivalents	22	54,945	105,372	94,172	474,492
		1,800,409	1,964,364	1,660,542	2,294,007
Current liabilities					
Bank loans	23	62,369	—	299,317	364,504
Contract liabilities	4(b)	389,118	730,339	71,281	652,691
Trade and other payables	24	1,316,504	1,101,448	1,183,671	1,193,274
Tax payable	25(a)	23,990	46,518	56,029	47,311
		1,791,981	1,878,305	1,610,298	2,257,780
Net current assets		8,428	86,059	50,244	36,227
Total assets less current liabilities		59,717	149,099	274,092	291,710

		As at 31 December			As at 30 June
		2015	2016	2017	2018
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities					
Deferred tax liabilities	25(b)(i)	4,322	4,950	6,157	13,023
Amounts due to related parties	24	—	—	—	65,443
		4,322	4,950	6,157	78,466
NET ASSETS		55,395	144,149	267,935	213,244
CAPITAL AND RESERVES	26				
Share capital		22,385	22,385	22,385	—
Reserves		44,505	84,712	155,380	133,507
Total equity attributable to equity shareholders of the Company		66,890	107,097	177,765	133,507
Non-controlling interests		(11,495)	37,052	90,170	79,737
TOTAL EQUITY		55,395	144,149	267,935	213,244

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

		As at 31 December		As at 30 June
		2016	2017	2018
	Note	RMB'000	RMB'000	RMB'000
Non-current asset				
Investments in subsidiaries	15	—	—	22,385
Current asset				
Prepayments		—	—	2,700
Current liabilities				
Other payables		—	708	6,218
Payables to related parties		20	19	28,893
		20	727	35,111
Net current liabilities		(20)	(727)	(32,411)
NET LIABILITIES		(20)	(727)	(10,026)
Capital and reserve				
Share capital	26(a)	—	—	—
Accumulated losses		(20)	(727)	(10,026)
TOTAL DEFICIT		(20)	(727)	(10,026)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company						
	Note	Share capital RMB'000	Statutory reserves RMB'000	Exchange reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		22,385	5,893	40,160	20,912	89,350	7,481	96,831
Changes in equity for 2015								
Profit/(loss) for the year		—	—	—	418	418	(7,078)	(6,660)
Other comprehensive income		—	—	(22,878)	—	(22,878)	(11,898)	(34,776)
Total comprehensive income		—	—	(22,878)	418	(22,460)	(18,976)	(41,436)
Appropriation to statutory reserves	26	—	1,673	—	(1,673)	—	—	—
Balance at 31 December 2015 and 1 January 2016		22,385	7,566	17,282	19,657	66,890	(11,495)	55,395
Changes in equity for 2016								
Profit for the year		—	—	—	68,007	68,007	62,960	130,967
Other comprehensive income		—	—	(27,779)	—	(27,779)	(14,443)	(42,222)
Total comprehensive income		—	—	(27,779)	68,007	40,228	48,517	88,745
Acquisition of additional interest of subsidiaries		—	—	—	(21)	(21)	21	—
Disposals of subsidiaries		—	—	—	—	—	9	9
Appropriation to statutory reserves	26	—	6,060	—	(6,060)	—	—	—
Balance at 31 December 2016 and 1 January 2017		22,385	13,626	(10,497)	81,583	107,097	37,052	144,149
Changes in equity for 2017								
Profit for the year		—	—	—	38,592	38,592	38,185	76,777
Other comprehensive income		—	—	32,076	—	32,076	14,933	47,009
Total comprehensive income		—	—	32,076	38,592	70,668	53,118	123,786
Appropriation to statutory reserves	26	—	4,327	—	(4,327)	—	—	—
Balance at 31 December 2017		22,385	17,953	21,579	115,848	177,765	90,170	267,935

	Note	Attributable to equity shareholders of the Company						
		Share capital	Statutory reserves	Exchange reserves	Retained profits	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018		22,385	17,953	21,579	115,848	177,765	90,170	267,935
Changes in equity for the six months ended 30 June 2018								
Profit for the period		—	—	—	16,800	16,800	22,820	39,620
Other comprehensive income		—	—	(4,642)	—	(4,642)	(1,841)	(6,483)
Total comprehensive income		—	—	(4,642)	16,800	12,158	20,979	33,137
Deemed distribution to shareholders	24(c)	—	—	—	(34,031)	(34,031)	(31,412)	(65,443)
Arising from reorganisation	15	(22,385)	—	—	—	(22,385)	—	(22,385)
Balance at 30 June 2018		—	17,953	16,937	98,617	133,507	79,737	213,244
(Unaudited)								
Balance at 1 January 2017		22,385	13,626	(10,497)	81,583	107,097	37,052	144,149
Changes in equity for the six months ended 30 June 2017								
(Loss)/profit for the period		—	—	—	(7,905)	(7,905)	99	(7,806)
Other comprehensive income		—	—	14,269	—	14,269	6,798	21,067
Total comprehensive income		—	—	14,269	(7,905)	6,364	6,897	13,261
Balance at 30 June 2017		22,385	13,626	3,772	73,678	113,461	43,949	157,410

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Renminbi)

		Years ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash (used in)/generated from operations	22(b)	(293,848)	343,691	(207,200)	(112,201)	427,789
Income tax paid		(9,158)	(66,743)	(17,805)	(11,342)	(78,122)
Net cash (outflow)/inflow from operating activities		(303,006)	276,948	(225,005)	(123,543)	349,667
CASH FLOWS FROM INVESTING ACTIVITIES						
Investments in associates and joint ventures		—	—	(128,635)	(41,400)	(12,000)
Acquisition of property, plant and equipment		(304)	(1,892)	(203)	(118)	(184)
Net cash outflow from disposals of subsidiaries		—	(97)	(99)	—	—
Proceeds from disposal of property, plant and equipment		—	134	31	—	—
Proceeds from disposal of investment properties		59,101	—	—	—	—
Interest received		251	2,203	1,343	822	625
Proceeds from disposal of other financial assets	20	23,674	226,350	82,678	62,512	40,026
Payments for purchase of other financial assets	20	(56,000)	(228,750)	(87,500)	(47,500)	—
Net cash inflow/(outflow) from investing activities		26,722	(2,052)	(132,385)	(25,684)	28,467

The accompanying notes form part of these Historical Financial Information.

		Years ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bank loans	22(c)	—	—	299,317	90,000	105,537
Repayment of bank loans	22(c)	(59,927)	(63,805)	—	—	(40,350)
Interest paid on bank loans	22(c)	(3,457)	(682)	(5,128)	(732)	(7,876)
Proceeds from related parties	22(c)	446,254	245,813	215,620	100,191	12,510
Repayment to related parties	22(c)	(101,769)	(405,794)	(163,528)	(75,011)	(62,367)
Payment of listing expenses		—	—	—	—	(5,236)
Net cash inflow/(outflow) from financing activities		281,101	(224,468)	346,281	114,448	2,218
Increase/(decrease) in cash and cash equivalents		4,817	50,428	(11,109)	(34,779)	380,352
Cash and cash equivalents at 1 January		50,128	54,945	105,372	105,372	94,172
Effect of foreign exchange rate changes		—	(1)	(91)	—	(32)
Cash and cash equivalents at 31 December/30 June	22(a)	54,945	105,372	94,172	70,593	474,492

The accompanying notes form part of these Historical Financial Information.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Million Cities Holdings Limited (the "Company") was incorporated in the Cayman Islands on 15 November 2016 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the Group reorganisation below. The core business activity of the Company and its subsidiaries (together, the "Group") include property sales and development (the "Listing Business") in the People's Republic of China (the "PRC").

During the Relevant Periods, the Listing Business were conducted through various domestic companies established in the PRC (the "PRC Operating Entities"), all of which are under the control of Wong Ting Chung, Wong Ting Kau, Wong Ting Chun, Wong Wai Wing, Wong Wai Ling, Lau Ka Keung and Wong Wai Yue (together referred to as the "Wong Ting Chung and his family"). To rationalise the corporate structure in preparation of the listing of the Company's share on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation (the "Reorganisation") as detailed in the section headed "History and Reorganisation" in the Prospectus. Upon completion of the Reorganisation on 28 June 2018, the Company became the holding company of the Group. As the Reorganisation primarily involved inserting a newly formed entity with no substantive operations as the new holding company between the Wong Ting Chung and his family and the PRC Operating Entities, there has been no change in the ultimate control and there were no substantive changes in the business and operations of the companies now comprising the Group. As the control is not transitory and, consequently, there was a continuation of risks and benefits to the Wong Ting Chung and his family, the Historical Financial Information has been prepared and presented using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the Reorganisation are consolidated using the book values from perspective of Wong Ting Chung and his family.

During the Relevant Periods, a subsidiary within the Group had controlling equity interests in a number of entities which were engaged in businesses delineated from the Listing Business, which primarily included companies are either dormant companies or engaged in equity investment (the "Carve-Out Entities"). The Carve-Out Entities maintain separate management personnel and accounting records. As part of the Reorganisation, the Group's equity interests in these Carve-Out Entities were transferred to the entities controlled by Wong Ting Chung during the Relevant Periods. The Historical Financial Information excludes the assets, liabilities and results of operations of the Carve-Out Entities whose businesses are, in the opinion of the directors of the Company, clearly delineated from the Listing Business of the Group and whose assets, liabilities, revenues and expenditures are clearly identifiable.

The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods as set out in Section A include the financial performance and cash flows of the companies now comprising the Group (or where the companies were incorporated at a date later than 1 January 2015, for the period from the date of incorporation to 30 June 2018) as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 June 2018 as set out in Section A of this report have been prepared to present the financial position of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates. Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information.

During the Relevant Periods, the Group's businesses were conducted through the following subsidiaries. The particulars of these subsidiaries are set out below:

Company name	Date and place of incorporation/establishment	Particulars of issued and paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activity
Million Cities Development Limited	4 August 2016 The British Virgin Islands ("BVI")	USD10	—	100%	Investment holding
Million Cities (Int'l) Limited	29 May 2007 Hong Kong	HKD100	—	100%	Investment holding
Winnermax Holdings Limited	22 March 2006 BVI	USD10	—	100%	Investment holding
Well Kong Investments Limited#	24 October 2016 BVI	USD2	—	50%	Investment holding
Well Kong (H.K.) Limited#	22 March 2011 Hong Kong	HKD10,000	—	50%	Investment holding
China Field Investment Limited	17 January 2003 Hong Kong	HKD100	—	100%	Investment holding
Cheer Happy (H.K.) Limited	22 April 2005 Hong Kong	HKD100	—	100%	Investment holding
China Lands Investments Limited	7 February 2011 Hong Kong	HKD10,000	—	55%	Investment holding
Join Kong (H.K.) Limited	23 June 2010 Hong Kong	HKD10,000	—	55%	Investment holding
Million Cities Construction (China) Co., Ltd. 萬城建設(中國)有限公司*	15 December 2016 PRC	RMB50,000,000	—	100%	Investment holding
Huizhou Million Cities Enterprise Management Co., Ltd. 惠州萬城企業管理策劃有限公司*	31 May 2018 PRC	RMB10,000,000	—	100%	Investment holding
Huizhou Yuefu Real Estate Co., Ltd. 惠州市悅富房地產有限公司*	29 April 2006 PRC	RMB38,000,000	4.99%	90.4%	Property development
Huizhou China Field Real Estate Development Co., Ltd. 惠州漢基房地產開發有限公司*	8 April 2003 PRC	HKD68,000,000	—	100%	Property development
Huizhou Cheer Happy Real Estate Development Co., Ltd. 惠州怡展房地產開發有限公司*	6 April 2006 PRC	USD12,000,000	—	100%	Property development
Huizhou Million Cities Real Estate Development Co., Ltd. 惠州市萬城房地產開發有限公司*	10 May 2001 PRC	RMB10,714,300	5%	49.5%	Property development
Million Cities Jianji Real Estate (Tianjin) Co., Ltd. 萬城建基置業(天津)有限公司*	18 August 2010 PRC	USD70,000,000	—	55%	Property development

* *These entities are PRC limited liability companies. The English translation of the Company names is for reference only. The official names of the companies are in Chinese.*

\# *The proportions of ownership interest of these companies were diluted from 100% to 50% at 22 February 2017 and these companies became joint ventures of the Group (see note 17).*

All companies comprising the Group have adopted 31 December as their financial year end date.

At the date of this report, no audited financial statements have been prepared for the Company, Million Cities Development Limited and Winnermax Holdings Limited as they either are investment holding companies or are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

During the Relevant Periods, the following subsidiaries were disposed of or dissolved either as the directors considered that they were not strategically complementary to the principal activities of the Group, or as part of the Reorganisation process:

Company name	Date and place of incorporation/ establishment	Date of disposal/ dissolution	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activity
				Held by the Company	Held by a subsidiary	
Huizhou Wanheda Real Estate Co., Ltd. 惠州萬和達實業有限公司*	30 September 2010 PRC	1 August 2017	RMB5,000,000	—	100%	Property development
Nitwell Limited	30 May 2005 Hong Kong	22 July 2016	HKD10,000	—	100%	Investment holding

* *These entities are PRC limited liability companies. The English translation of the Company names is for reference only. The official names of the companies are in Chinese.*

At the date of this report, no audited financial statements have been prepared for Huizhou Wanheda Real Estate Co., Ltd. and Nitwell Limited.

The Historical Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Further details of the significant accounting policies adopted are set out in the note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2019. The revised and new accounting standards and interpretations issued but not yet effective before the accounting period beginning 1 January 2019 are set out in note 31.

The Group has adopted HKFRS 9, *Financial instruments* and HKFRS15, *Revenue from contracts with customers*, which are effective for the accounting period beginning 1 January 2018, consistently throughout the Relevant Periods.

The Historical Financial Information also compiles with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except per share data.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the other financial assets and investment properties are stated at fair value as explained in note 2(f) and note 2(g).

(b) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

(d) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(e) Joint operation

The Group classifies joint arrangements as joint operations when the Group has rights to the individual assets, and obligations for the individual liabilities, relating to the arrangement.

The Group recognises in relation to its interest in a joint operation:

(i) its assets, including its share of any assets held jointly;

(ii) its liabilities, including its share of any liabilities incurred jointly;

(iii) its revenue from the sale of its share of the inventories arising from the joint operation;

(iv) its share of the revenue from the sale of the inventories by the joint operation; and

(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(t)(iii)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(t)) to earn rental income and/or for capital appreciation. These include property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(ii).

When the Group holds property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

(h) Property, plant and equipment

The following items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss (see note 2(j)):

— buildings held for own use which are situated on leasehold land classified as held under operating lease (see note 2(i)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Useful life	Residual value %
Lands	50 years	0%
Buildings	20 years	5%–10%
Office equipment	3–12 years	0%–10%
Motor vehicles	4–5 years	3%–10%
Electronic and other equipment	3–10 years	0%–10%

(i) Leased assets

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j).

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)) or is held for development for sale (see note 2(k)(i)).

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

— contract assets as defined in HKFRS 15 (see note 2(l)); and

— lease receivables.

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate; and

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— investments in subsidiaries, associates and joint ventures.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories and other contract cost

(i) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— *Property held for development and property under development*

The cost of properties held for development and properties under development comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— *Completed property held for sale*

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract cost

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(k)(i)) or property, plant and equipment (see note 2(h)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered.

Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(t).

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

(q) Employee benefits

(i) Short-term employee benefits

Salaries, employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(ii) Defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (the "MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Other provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of properties or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of properties

Revenue arising from the sale of properties in the ordinary course of business is recognised:

— upon the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 4); or

— as the performance obligations are satisfied over time in accordance with the progress when the properties sold have no alternative use to the Group due to contractual arrangements and the Group has an enforceable right to payment from the customer for the performance completed to date. The excess of the consideration that the Group has the unconditional right to receive from the customers over the revenue recognised in profit or loss is included in the statement of financial position as contract liabilities (see note 4).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 2(v).

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of Hong Kong and foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a Hong Kong or foreign operations, the cumulative amount of the exchange differences relating to that Hong Kong or foreign operations is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

The Group manages its business as a whole as properties development is the only reporting segment. The Historical Financial Information is presented in a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purpose of resource allocation and performance assessment.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Classification between investment properties and properties held for sale

The Group develops and purchases properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale.

For the developed properties, the Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation.

For the purchased properties, the Group considers its intention for holding the properties at the early stage when obtained control the related properties. The related properties are accounted for as inventories included in current assets if the properties are intended for sale, whereas, the properties are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation.

(b) Sources of estimation uncertainty

Note 27 contains information about the assumptions and their risk factors relating to fair value of other financial assets. Other key sources of estimation uncertainty are as follows:

(i) Properties for sale

As explained in note 2(k), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in cases for properties held for development and properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(ii) Revenue recognition

As explained in note 2(t)(i), revenue from sales of properties can be recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The determination of whether the Group has an enforceable right to payment for its sales in the PRC depends on the actual payment pattern, terms of the sales contract and the interpretation of the applicable laws. Such determination requires judgements. The Group considers that it has enforceable right to payment for performance completed to date based on the terms of agreements with the customers by reference to the legal opinion obtained from its legal counsel. The above interpretation from the legal counsel may be different from the interpretation or judgement of the relevant authorities in the PRC, which would affect the revenue and profit recognised in future years.

In addition, revenue and profit on uncompleted projects recognised over time is dependent on estimating the total outcome of the contract, as well as the percentage of work done to date. Based on the Group's recent experience and the nature of the construction activities, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(iii) Land Appreciation Tax ("LAT")

As explained in note 9(a)(ii), LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing cost and relevant property development expenditures. Given the uncertainties of the calculation basis of land appreciation tax to be interpreted by the local tax bureaux and the actual appreciation of land value may be different from the original estimates, the actual outcomes may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in estimates would affect profit or loss in future years.

(iv) Impairment for trade and other receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(v) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

4 REVENUE

The principal activities of the Group are property sales and development in the PRC.

(a) Disaggregation of revenue

Revenue mainly represents income from sale of properties and gross rentals from properties earned during the Relevant Periods, net of sales related taxes and discounts allowed, and is analysed as follows:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue from contracts with customers within the scope of HKFRS 15					
Sales of properties:					
— Recognised at a point in time	14,967	853,266	938,134	39,001	135,654
— Recognised over time	38,177	37,961	30,922	11,324	125,256
	53,144	891,227	969,056	50,325	260,910
Revenue from other sources					
Gross rentals from operating lease	5,338	3,557	4,037	2,153	2,099
	58,482	894,784	973,093	52,478	263,009

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 5.

For the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018, the Group's customer base is diversified and does not have a customer with whom transactions have exceeded 10% of the Group's revenue.

(b) Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" *(note 19)*	1,259	1,366	5,969	6,405
Contract liabilities — Forward sales deposits and instalments received *(note)*	389,118	730,339	71,281	652,691

Note: Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

(i) The Group receives certain amount of deposit from customers when they sign the sale and purchase agreements. These deposits are recognised as contract liabilities until the relevant properties are completed and ready for hand-over to the customers.

Depending on market conditions, the Group may require the customers to pay off the remaining balance of the consideration within an agreed timeframe while constructions are still ongoing, rather than on the completion of the relevant properties. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period for the full amount of the contract price. In addition, the contract liabilities will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any significant financing benefit obtained from the customers during the period between the payment and hand-over date. As this accrual increases the amount of the contract liabilities during the period of construction, it therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer.

(ii) The Group receives full payments of the consideration from certain customers when they sign the sale and purchase agreements. The excess of the considerations received over the revenue recognised in profit or loss in accordance with accounting policy as set out in note 2(t)(i) are recognised as contract liabilities.

Movements in contract liabilities

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Balance at 1 January	8,135	389,118	730,339	71,281
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(1,399)	(321,193)	(704,580)	(53,074)
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year in respect of properties still under construction as at 31 December/30 June	379,840	649,416	45,522	629,588
Increase in contract liabilities as a result of accruing interest expense on advances	2,542	12,998	—	4,896
Balance at 31 December/30 June	389,118	730,339	71,281	652,691

(c) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2015, 2016 and 2017 and 30 June 2018.

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Remaining performance obligations expected to be satisfied:				
within the year ending 31 December 2016	405,849	—	—	—
within the year ending 31 December 2017	128,653	870,375	—	—
within the year ending 31 December 2018	414	25,320	168,531	150,706
within the year ending 31 December 2019	—	—	—	887,525
	534,916	895,695	168,531	1,038,231

These amounts represent revenue expected to be recognised in the future from pre-completion sales contracts for properties under development entered into by the customers with the Group.

(d) Total future minimum lease payments receivable by the Group

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,192	2,636	3,670	3,140
After 1 year but within 5 years	375	3,813	8,216	6,809
After 5 years	—	5,980	5,434	5,230
	2,567	12,429	17,320	15,179

5 OPERATING SEGMENT

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating segments*.

Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties and interests in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the properties were developed. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and investment properties, and the location of operations, in the case of interests in associates and joint ventures.

	Revenues from external customers					Specified non-current assets			
	For the year ended 31 December			For the six months ended 30 June		As at 31 December			As at 30 June
	2015	2016	2017	2017	2018	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Huizhou city	57,566	873,936	96,141	40,628	243,230	39,241	56,565	100,319	112,742
Tianjin city	916	20,848	876,952	11,850	19,779	462	296	34,671	33,878
Zhumadian city	—	—	—	—	—	—	—	86,754	106,220
Others	—	—	—	—	—	1,312	841	752	280
	58,482	894,784	973,093	52,478	263,009	41,015	57,702	222,496	253,120

The analysis above includes property rental income from external customers in the PRC of RMB5,338,000, RMB3,557,000, RMB4,037,000, RMB2,153,000 and RMB2,099,000 during the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018 respectively.

6 OTHER NET INCOME

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income	251	2,203	1,343	822	625
Net gain on disposals of other financial assets *(note 20)*	7	267	178	12	26
Net gain on disposals of investment properties	31,401	—	—	—	—
Net gain/(loss) on disposal of property, plant and equipment	—	23	(59)	—	(9)
Net exchange gain/(loss)	1,728	(1)	(91)	—	(32)
Others	129	219	471	24	11
	33,516	2,711	1,842	858	621

7 OTHER EXPENSES

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Donations	38	560	6,561	3,311	113
Other sundry expenses	—	137	141	117	123
	38	697	6,702	3,428	236

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank loans	3,457	682	5,128	732	8,464
Accrued interest on significant financing component of contract liabilities	2,542	16,774	20,148	12,092	4,432
	5,999	17,456	25,276	12,824	12,896
Less: Interest expenses capitalised into inventories*	(4,131)	(17,059)	(25,057)	(12,690)	(12,856)
	1,868	397	219	134	40

* *The borrowing costs have been capitalised at a rate of 3.14%–5.23%, 3.14%–5.23%, 5.23%–5.70%, 5.23%–5.70% and 5.23%–6.18% per annum during the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018 respectively.*

(b) Staff costs

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages and other benefits	16,063	18,222	25,212	12,599	14,926
Contributions to defined contribution retirement plan	1,373	1,547	1,631	992	1,031
Less: Staff costs capitalised into inventories	(4,398)	(4,419)	(4,851)	(2,517)	(2,642)
	13,038	15,350	21,992	11,074	13,315

The PRC Operating Entities participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities, whereby the PRC Operating Entities are required to make contribution at the rates required by different local government authorities. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

(c) Other items

	Years ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Depreciation and amortisation *(note 13)*	1,909	2,194	2,497	1,091	1,930
Auditors' remuneration	183	178	745	124	1,228
Listing expenses *(note)*	—	—	960	—	8,753
Cost of inventories *(note 18(a))*	41,900	666,556	765,987	33,774	138,594
Rentals receivable from investment properties and inventories	(5,338)	(3,557)	(4,037)	(2,153)	(2,099)
Less: Direct outgoings	981	1,558	1,693	826	1,304
	(4,357)	(1,999)	(2,344)	(1,327)	(795)

Note: During the year ended 31 December 2017 and six months ended 30 June 2018, listing expenses included amounts of RMB500,000 and RMB1,125,000 respectively which are also included in auditors' remuneration.

9 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	Years ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Current tax					
Provision for Corporate Income Tax ("CIT")	9,611	42,705	26,487	1,845	12,800
Provision for LAT	9,703	7,407	32,930	2,047	32,551
	19,314	50,112	59,417	3,892	45,351
Deferred tax					
Origination and reversal of temporary differences *(note 25(b)(i))*	(6,286)	5,564	5,193	(1,849)	5,855
	13,028	55,676	64,610	2,043	51,206

(i) CIT and Hong Kong Profits Tax

The provision for CIT is calculated based on the estimated taxable income at the rates applicable to each subsidiary in the Group. The income tax rates applicable to the principal subsidiaries in the PRC are 25% in the Relevant Periods.

No provision for Hong Kong Profits Tax for the Relevant Periods as the subsidiaries in Hong Kong did not have any assessable profits for the Relevant Periods.

(ii) LAT

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

(iii) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit/(loss) before taxation	6,368	186,643	141,387	(5,763)	90,826
Less: LAT	(9,703)	(7,407)	(32,930)	(2,047)	(32,551)
(Loss)/profit before CIT	(3,335)	179,236	108,457	(7,810)	58,275
Notional tax calculated at applicable income tax rate of the relevant Group entities concerned	(546)	45,163	28,752	(1,597)	17,136
Tax effect of non-deductible expenses	3,871	3,106	2,928	1,593	1,519
CIT	3,325	48,269	31,680	(4)	18,655
LAT	9,703	7,407	32,930	2,047	32,551
Income tax expense	13,028	55,676	64,610	2,043	51,206

10 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

		For the year ended 31 December 2015				
	Note	Directors' fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Discretionary Bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Chairman and non-executive director						
Mr. Wong Ting Chung	*(a)*	—	—	—	—	—
Executive directors						
Mr. Lau Ka Keung *(Chief Executive Officer)*	*(b)*	—	1,436	—	14	1,450
Mr. Lin Guoxian	*(b)*	—	290	—	—	290
		—	1,726	—	14	1,740

		For the year ended 31 December 2016				
	Note	Directors' fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Discretionary Bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Chairman and non-executive director						
Mr. Wong Ting Chung	*(a)*	—	—	—	—	—
Executive directors						
Mr. Lau Ka Keung *(Chief Executive Officer)*	*(b)*	—	1,517	—	15	1,532
Mr. Lin Guoxian	*(b)*	—	408	—	2	410
Non-executive director						
Mr. Wong Wai Yue	*(d)*	—	—	—	—	—
		—	1,925	—	17	1,942

		For the year ended 31 December 2017				
		Directors' fee	Basic salaries, allowances and other benefits	Discretionary Bonuses	Retirement scheme contributions	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and non-executive director						
Mr. Wong Ting Chung	*(a)*	—	—	—	—	—
Executive directors						
Mr. Lau Ka Keung *(Chief Executive Officer)*	*(b)*	—	1,789	—	18	1,807
Mr. Lin Guoxian	*(b)*	—	447	—	2	449
Ms. Lau Pui Kwan	*(c)*	—	340	—	8	348
Non-executive director						
Mr. Wong Wai Yue	*(d)*	—	—	—	—	—
		—	2,576	—	28	2,604

		For the six months ended 30 June 2018				
		Directors' fee	Basic salaries, allowances and other benefits	Discretionary Bonuses	Retirement scheme contributions	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and non-executive director						
Mr. Wong Ting Chung	*(a)*	—	—	—	—	—
Executive directors						
Mr. Lau Ka Keung *(Chief Executive Officer)*	*(b)*	—	948	—	7	955
Mr. Lin Guoxian	*(b)*	—	233	—	3	236
Ms. Lau Pui Kwan	*(c)*	—	429	48	7	484
Mr. Wong Ka Lun	*(c)*	—	448	—	6	454
Non-executive director						
Mr. Wong Wai Yue	*(d)*	—	—	—	—	—
Independent non-executive director						
Mr. Ip Shu Kwan	*(e)*	—	—	—	—	—
Mr. Li Yinquan	*(e)*	—	—	—	—	—
Mr. Wu Wing Kuen	*(e)*	—	—	—	—	—
		—	2,058	48	23	2,129

	Note	Directors' fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Discretionary Bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
		For the six months ended 30 June 2017 (unaudited)				
Chairman and non-executive director						
Mr. Wong Ting Chung	*(a)*	—	—	—	—	—
Executive directors						
Mr. Lau Ka Keung *(Chief Executive Officer)*	*(b)*	—	847	—	8	855
Mr. Lin Guoxian	*(b)*	—	224	—	1	225
Non-executive director						
Mr. Wong Wai Yue	*(d)*	—	—	—	—	—
		—	1,071	—	9	1,080

(a) Mr. Wong Ting Chung was appointed as non-executive director and the Chairman of the Company on 15 November 2016 and 19 June 2018 respectively. He was also a director of certain subsidiaries of the Company during the Relevant Periods.

(b) Mr. Lau Ka Keung and Mr. Lin Guoxian were appointed as executive directors of the Company on 15 November 2016 and 19 June 2018 respectively. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Relevant Periods and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

(c) Ms. Lau Pui Kwan and Mr. Wong Ka Lun were appointed as executive directors of the Company on 19 June 2018. They were also employees of the Group since July 2017 and February 2018 respectively and the Group paid emoluments to them in their capacity as the employees of the Group before their appointment as executive directors of the Company.

(d) Mr. Wong Wai Yue was appointed as non-executive director of the Company on 15 November 2016 and resigned on 1 April 2018.

(e) Mr. Ip Shu Kwan, Mr. Li Yinquan and Mr. Wu Wing Kuen were appointed as independent non-executive director on 19 June 2018.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018 are set forth below:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
Directors	1	1	1	1	3
Non-directors	4	4	4	4	2

The aggregate of the emoluments in respect of the non-directors included in the five highest paid individuals are as follows:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other emoluments	2,056	2,336	3,368	2,251	1,366
Contributions to retirement benefit scheme	58	60	56	32	12
	2,114	2,396	3,424	2,283	1,378

The emoluments of these individuals with the highest emoluments are within the following bands:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
HK$Nil — HK$1,000,000	4	4	4	4	1
HK$1,000,001- HK$1,500,000	—	—	—	—	1
	4	4	4	4	2

12 (LOSSES)/EARNINGS PER SHARE

(Losses)/earnings per share information is not presented as if inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the basis as disclosed in note 1.

13 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Lands and buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Electronic and other equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2015	14,814	1,205	4,903	1,442	22,364
Additions	—	180	—	124	304
Exchange adjustments	—	—	153	—	153
At 31 December 2015 and 1 January 2016	14,814	1,385	5,056	1,566	22,821
Additions	—	82	1,808	2	1,892
Transfer from inventories	15,036	—	—	—	15,036
Disposals	—	—	(432)	(313)	(745)
Exchange adjustments	—	—	178	—	178
At 31 December 2016 and 1 January 2017	29,850	1,467	6,610	1,255	39,182
Additions	—	194	—	9	203
Transfer from inventories	34,517	—	—	—	34,517
Disposals	—	(112)	(125)	(674)	(911)
Exchange adjustments	—	—	(185)	—	(185)
At 31 December 2017 and 1 January 2018	64,367	1,549	6,300	590	72,806
Additions	—	167	—	17	184
Disposals	—	—	—	(93)	(93)
Exchange adjustments	—	—	22	—	22
At 30 June 2018	64,367	1,716	6,322	514	72,919
Accumulated depreciation:					
At 1 January 2015	(2,111)	(884)	(2,063)	(981)	(6,039)
Charge for the year	(704)	(115)	(854)	(236)	(1,909)
Exchange adjustments	—	—	(68)	—	(68)
At 31 December 2015 and 1 January 2016	(2,815)	(999)	(2,985)	(1,217)	(8,016)
Charge for the year	(986)	(138)	(990)	(80)	(2,194)
Written back on disposals	—	—	352	282	634
Exchange adjustments	—	—	(114)	—	(114)
At 31 December 2016 and 1 January 2017	(3,801)	(1,137)	(3,737)	(1,015)	(9,690)
Charge for the year	(1,380)	(148)	(913)	(56)	(2,497)
Written back on disposals	—	101	113	607	821
Exchange adjustments	—	—	142	—	142
At 31 December 2017 and 1 January 2018	(5,181)	(1,184)	(4,395)	(464)	(11,224)
Charge for the period	(1,467)	(68)	(372)	(23)	(1,930)
Written back on disposals	—	—	—	83	83
Exchange adjustments	—	—	(23)	—	(23)
At 30 June 2018	(6,648)	(1,252)	(4,790)	(404)	(13,094)
Net book value:					
At 31 December 2015	11,999	386	2,071	349	14,805
At 31 December 2016	26,049	330	2,873	240	29,492
At 31 December 2017	59,186	365	1,905	126	61,582
At 30 June 2018	57,719	464	1,532	110	59,825

During the years ended 31 December 2016 and 2017, the directors of the Company decided to use certain self-developed properties for the Group's operation purpose instead of held for sale. Accordingly, the carrying amounts of these properties of RMB15,036,000 and RMB34,517,000 were transferred from inventories to property, plant and equipment in years ended 31 December 2016 and 2017 respectively. As at 31 December 2016 and 2017 and 30 June 2018, the Group was in the process of applying for the certificates of ownership for those properties with carrying value of RMB15,036,000 and RMB49,553,000 and RMB34,517,000 respectively. Up to the date of this report, the Group has not obtained the certificates of ownership for properties with carrying amount of RMB34,517,000. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

(b) The analysis of net book value of lands and buildings is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
In the PRC				
— 50 years or more (long leases)	11,999	26,049	59,186	57,719

14 INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	RMB'000
Valuation:	
At 1 January 2015	53,810
Fair value adjustment	100
Disposal	(27,700)
At 31 December 2015 and 1 January 2016	26,210
Fair value adjustment	2,000
At 31 December 2016 and 1 January 2017	28,210
Fair value adjustment	1,670
At 31 December 2017 and 1 January 2018	29,880
Fair value adjustment	1,420
At 30 June 2018	31,300

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties in the PRC:				
— Commercial	25,100	—	—	25,100
— Residential	1,110	—	—	1,110
	26,210	—	—	26,210

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties in the PRC:				
— Commercial	27,000	—	—	27,000
— Residential	1,210	—	—	1,210
	28,210	—	—	28,210

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties in the PRC:				
— Commercial	28,600	—	—	28,600
— Residential	1,280	—	—	1,280
	29,880	—	—	29,880

	Fair value at 30 June 2018	Fair value measurements as at 30 June 2018 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties in the PRC:				
— Commercial	30,000	—	—	30,000
— Residential	1,300	—	—	1,300
	31,300	—	—	31,300

During the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2015, 2016 and 2017 and 30 June 2018. The valuations were carried out by an independent firm of surveyor, Colliers International (Hong Kong) Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range			
			31 December			30 June
			2015	2016	2017	2018
Investment properties:						
— Commercial — PRC	Direct market comparison approach	Adjusted market price (RMB/square meter)	7,172–7,307	7,673–8,438	8,038–9,282	8,403–9,844
— Residential — PRC	Direct market comparison approach	Adjusted market price (RMB/square meter)	5,139	5,602	5,926	6,019

The fair value of investment properties located in the PRC is determined using the direct market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a premium or a discount specific to the location, property size and age of the Group's properties compared to the recent sales. The higher adjusted market price will result in a higher fair value measurement.

The movements during the Relevant Periods in the balance of these Level 3 fair value measurements are as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties in the PRC — Commercial				
At 1 January	52,700	25,100	27,000	28,600
Disposal	(27,700)	—	—	—
Fair value adjustment	100	1,900	1,600	1,400
At 31 December/30 June	25,100	27,000	28,600	30,000

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties in the PRC — Residential				
At 1 January	1,110	1,110	1,210	1,280
Fair value adjustment	—	100	70	20
At 31 December/30 June	1,110	1,210	1,280	1,300

(c) The analysis of net book value of properties is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
In the PRC				
— 50 years or more (long leases)	21,110	22,210	23,280	24,300
— between 10 and 50 years (medium-term leases)	5,100	6,000	6,600	7,000
	26,210	28,210	29,880	31,300

(d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

The properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

15 INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	—	—	—	22,385

Before the Reorganisation set out in note 1, Huizhou Yuefu Real Estate Co., Ltd. ("Huizhou Yuefu") and Huizhou Million Cities Real Estate Development Co., Ltd. ("Huizhou Million Cities") were indirectly non-wholly owned subsidiaries of the Group.

According to the Reorganisation on 28 June 2018, the Company acquired 4.99% equity interests in Huizhou Yuefu and 5% equity interests in Huizhou Million Cities from Wong Ting Chong at a consideration of RMB19,760,000 and RMB2,625,000 respectively and the Group's effective interest on Huizhou Yuefu and Huizhou Million Cities increased to 95.39% and 54.5% respectively.

Investments in Huizhou Yuefu and Huizhou Million Cities directly held by the Company are stated at cost and details of the subsidiaries as at the date of this report are set out in note 1 of section B.

The following tables list out the information relating to (1) China Lands Investments Limited and its subsidiaries ("China Lands sub-group"); (2) Huizhou Yuefu Real Estate Co., Ltd.; and (3) Huizhou Million Cities Real Estate Development Co., Ltd., the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
China Lands sub-group				
NCI percentage	45%	45%	45%	45%
Current assets	594,024	1,149,113	534,297	588,002
Non-current assets	4,836	5,254	33,946	33,150
Current liabilities	648,816	1,240,348	538,561	594,584
Net (liabilities)/assets	(49,956)	(85,981)	29,682	26,568
Carrying amount of NCI	(22,480)	(38,691)	13,357	11,956
Revenue	916	20,848	876,952	19,779
(Loss)/profit for the year/period	(8,389)	(3,944)	82,478	964
Other comprehensive income	(26,311)	(32,089)	33,185	(4,071)
Total comprehensive income	(34,700)	(36,033)	115,663	(3,107)
(Loss)/profit allocated to NCI	(3,775)	(1,775)	37,115	434
Cash (outflow)/inflow from operating activities	(183,478)	43,424	28,552	(54,903)
Cash (outflow)/inflow from investing activities	(12,252)	12,006	(11)	(12)
Cash inflow/(outflow) from financing activities	162,179	(45,254)	(33,247)	77,395

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Huizhou Yuefu Real Estate Co., Ltd.				
NCI percentage	48%	48%	48%	4.61%
Current assets	336,121	248,468	152,123	149,338
Non-current assets	3,470	193	181	1,636
Current liabilities	316,078	175,640	73,264	44,281
Non-current liabilities	—	—	1,077	65,443
Net assets	23,513	73,021	77,963	41,250
Carrying amount of NCI	11,286	35,050	37,422	19,879
Revenue	6,760	317,432	43,287	108,795
(Loss)/profit for the year/period	(5,335)	49,509	4,941	28,730
Total comprehensive income	(5,335)	49,509	4,941	28,730
(Loss)/profit allocated to NCI	(2,561)	23,764	2,372	13,790
Cash (outflow)/inflow from operating activities	(63,303)	164,337	7,089	21,771
Cash (outflow)/inflow from investing activities	(49)	132	(4)	—
Cash inflow/(outflow) from financing activities	81,030	(88,169)	(82,838)	—

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Huizhou Million Cities Real Estate Development Co., Ltd.				
NCI percentage	45.5%	45.5%	45.5%	45.5%
Current assets	520,365	294,178	640,407	1,147,604
Non-current assets	1,900	15,280	15,028	14,466
Current liabilities	522,926	220,023	568,862	1,050,220
Non-current liabilities	—	—	—	6,399
Net (liabilities)/assets	(661)	89,435	86,573	105,451
Carrying amount of NCI	(301)	40,693	39,391	47,980
Revenue	33,543	541,079	22,533	98,770
(Loss)/profit for the year/period	(1,630)	90,096	(2,862)	18,878
Total comprehensive income	(1,630)	90,096	(2,862)	18,878
(Loss)/profit allocated to NCI	(742)	40,994	(1,302)	8,590
Cash (outflow)/inflow from operating activities	(40,269)	(16,515)	(235,609)	329,728
Cash (outflow)/inflow from investing activities	(996)	(34,837)	(5,089)	39,997
Cash inflow/(outflow) from financing activities	62,339	10,000	257,712	(82,538)

16 INTEREST IN ASSOCIATES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net liabilities	—	—	(173)	(1,268)
Amounts due from associates (non-current) *(note)*	—	—	87,251	107,488
	—	—	87,078	106,220

Note: In 2017, the Group provided shareholder's loans of RMB87,000,000 and HKD300,000 respectively to Henan Julongju Real Estate Co., Ltd. ("Henan Julongju") and Asia Image (H.K.) Limited ("Asia Image"). During the six months ended 30 June 2018, Winnermax Management Ltd., a related party of the Group, provided an additional shareholder's loan of HKD24,000,000 to Gold Concept Development Limited ("Gold Concept") on behalf of the Group. The balances are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered after one year.

The following list contains the particulars of all associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Gold Concept	Incorporated	Hong Kong	USD100	—	30%	Investment holding
Asia Image*	Incorporated	Hong Kong	HKD1	—	30%	Investment holding
Henan Julongju* 河南聚龍居置業有限公司#	Incorporated	PRC	HKD20,000,000	—	30%	Property development
Henan Julongwan Property Management Co., Ltd.* 河南聚龍灣物業管理有限公司#	Incorporated	PRC	RMB20,000	—	30%	Property management

* *These companies are wholly-owned by Gold Concept.*

\# *The entity is PRC limited liability company. The English translation of the Company name is for reference only. The official name of the company are in Chinese.*

The Group has significant influence, but not control or joint control, over the management, including participation in the financial and operating policy decisions of the companies listed above.

All associates are accounted for using the equity method in the consolidated financial statements.

Management consider that Gold Concept together with its subsidiaries ("Gold Concept sub-group") will have significant impact to the financial position and performance of the Group individually. The summarised consolidated financial information on these associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements for the Relevant Periods is as follows:

	Gold Concept sub-group	
	As at 31 December 2017	As at 30 June 2018
	RMB'000	RMB'000
Gross amounts of the associates		
Current assets	313,321	358,393
Non-current assets	711	745
Current liabilities	314,607	363,366
Equity	(575)	(4,228)
Revenue	—	—
Loss from continuing operations	(840)	(2,620)
Other comprehensive income	265	(1,032)
Total comprehensive income	(575)	(3,652)
Reconciled to the Group's interest in associates		
Gross amounts of net liabilities of associates	(575)	(4,228)
Group's effective interest	30%	30%
Group's share of net liabilities of associates	(173)	(1,268)
Amounts due from associates — non-current portion	87,251	107,488
Carrying amount of the Group's interest	87,078	106,220

As at 31 December 2017 and 30 June 2018, Gold Concept sub-group was of net liabilities due to the early stage of development.

17 INTEREST IN JOINT VENTURES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	—	—	2,572	2,035
Amounts due from joint ventures (non-current) *(note)*	—	—	41,384	53,740
	—	—	43,956	55,775

Note: The balances are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered after one year.

Details of the Group's interest in joint ventures as at the date of this report, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Well Kong Investments Limited	Incorporated	BVI	USD2	—	50%	Investment holding
Well Kong (H.K.) Limited*	Incorporated	Hong Kong	HKD10,000	—	50%	Investment holding
Huizhou Well Kong Real Estate Co., Ltd* 惠州惠港置業有限公司#	Incorporated	PRC	RMB88,000,000	—	50%	Property development

* *These companies are wholly-owned by Well Kong Investments Limited.*

The entity is PRC limited liability company. The English translation of the Company name is for reference only. The official name of the company are in Chinese.

Pursuant to the agreement dated 22 February 2017, the Group disposed of 50% equity interest in Well Kong Investments Limited to an independent third party. Well Kong Investments Limited and its subsidiaries ("Well Kong sub-group") have become 50% joint ventures of the Group since then.

All joint ventures in which the Group participates are unlisted corporate entities whose quoted market price is not available.

Summarised financial information of Well Kong sub-group, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Well Kong sub-group	
	As at 31 December 2017	As at 30 June 2018
	RMB'000	RMB'000
Gross amounts of the joint ventures		
Current assets	870,018	893,663
Current liabilities *(note)*	864,874	889,594
Equity	5,144	4,069
Included in the above assets and liabilities:		
Cash and cash equivalents	8,962	3,575
Current financial liabilities (excluding trade and other payables and provisions)	—	—
Non-current financial liabilities (excluding trade and other payables and provisions)	—	—
Revenue	—	—
Loss from continuing operations	(163)	(362)
Other comprehensive income	5,351	(713)
Total comprehensive income	5,188	(1,075)
Included in the above loss:		
Depreciation and amortisation	—	—
Interest income	194	30
Interest expense	—	—
Income tax expense	—	—
Reconciled to the Group's interest in joint ventures		
Gross amounts of Well Kong sub-group's net assets	5,144	4,069
Group's effective interest	50%	50%
Group's share of Well Kong sub-group's net assets	2,572	2,035
Amounts due from joint ventures — non-current portion	41,384	53,740
Carrying amount in the consolidated financial statements	43,956	55,775

Note: The balance primarily represented the amounts due to related parties, which are interest-free, unsecured and repayable on demand.

18 INVENTORIES AND OTHER CONTRACT COSTS

		As at 31 December			As at 30 June
		2015	2016	2017	2018
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Inventories					
Properties held for development		246,628	284,161	169,221	151,369
Properties under development		1,064,539	668,907	572,225	829,269
Completed properties for sale		212,367	430,952	525,809	459,988
		1,523,534	1,384,020	1,267,255	1,440,626
Other contract costs	(c)	4,057	12,470	—	1,779
		1,527,591	1,396,490	1,267,255	1,442,405

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories *(note 8(c))*	41,900	666,556	765,987	33,774	138,594

At 31 December 2015, 2016 and 2017 and 30 June 2018, the amount of inventories expected to be recovered after more than one year is RMB1,025,174,000, RMB841,048,000, RMB1,061,783,000 and RMB966,179,000, respectively. All of the other inventories are expected to be recovered within one year.

At 31 December 2017 and 30 June 2018, certain of the Group's inventories were pledged for bank loans (see note 23).

(b) The analysis of carrying value of inventories is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
In the PRC				
— 50 years or more (long leases)	1,461,058	1,319,620	1,202,784	1,376,136
— between 10 and 50 years (medium-term leases)	62,476	64,400	64,471	64,490
	1,523,534	1,384,020	1,267,255	1,440,626

(c) Contract cost

Contract costs capitalised as at 31 December 2015, 2016 and 2017 and 30 June 2018 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting dates. The Group has therefore capitalised those expenditures as contract costs in the amounts of RMB4,057,000, RMB12,470,000, nil and RMB 1,779,000 at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. Contract costs are recognised as part of "selling expenses" in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018 were nil, RMB832,000, RMB12,470,000, RMB227,000 and nil, respectively. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 respectively.

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

The amount of capitalised contract costs that is expected to be recovered after more than one year were RMB3,225,000, nil, nil, and nil as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively.

19 TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade debtors *(note (a))*				
— Sales of properties	1,259	1,366	5,969	6,405
— Gross rentals from operating lease	—	314	333	314
	1,259	1,680	6,302	6,719
Other debtors *(note (b))*	11,474	6,040	10,437	19,867
Amounts due from related parties *(note (c))*	69,343	106,103	111,684	41,321
Prepaid CIT and LAT	9,861	49,020	16,919	40,972
Prepayments *(note (d))*	34,238	109,084	86,254	118,279
	126,175	271,927	231,596	227,158

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the date the trade debtors recognised and net of allowance for doubtful debts, is as follows:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 month	319	308	5,887	6,354
1 to 3 months	—	950	90	90
3 to 6 months	—	135	135	135
Over 6 months	940	287	190	140
	1,259	1,680	6,302	6,719

The Group's credit policy is set out in note 27(a).

Management considers that the trade debtors that were past due but not impaired was insignificant. Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) The balance mainly included the deposits paid for the construction and development of properties.

(c) The amounts due from related parties are interest-free, unsecured and recoverable on demand.

(d) At 31 December 2015, 2016 and 2017 and 30 June 2018, the balance mainly includes prepayments for properties development of RMB12,550,000, RMB90,859,000, RMB56,756,000 and RMB103,594,000, and prepayments for VAT, business tax and surcharges with aggregated amounts of RMB21,518,000, RMB17,987,000, RMB29,219,000 and RMB10,757,000, respectively.

Pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax' ("Cai Shui 2016 No. 36") jointly issued by the Ministry of Finance and the State Administration of Taxation, the PRC subsidiaries of the Group are subject to VAT from 1 May 2016 on their revenues instead of business tax. According to the Circular Cai Shui 2016 No. 36, VAT for sales of properties, in the case that the construction of properties commenced before 1 May 2016, is calculated at a tax rate of 5% based on a simplified method. Otherwise, the VAT is calculated at a tax rate of 11% before 1 May 2018 according to Circular Cai Shui 2016 No. 36 and at a tax rate of 10% since 1 May 2018 according to "Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates" ("Cai Shui 2018 No. 32") issued by the Ministry of Finance and the State Administration of Taxation. Prepaid VAT (being 3% of the selling price of the properties) is paid upon the properties are pre-sold.

20 OTHER FINANCIAL ASSETS

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	—	32,333	35,000	40,000
Additions	56,000	228,750	87,500	—
Disposals	(23,674)	(226,350)	(82,678)	(40,026)
Changes in fair value *(note 6)*	7	267	178	26
At 31 December/30 June	32,333	35,000	40,000	—

At 31 December 2015, 2016 and 2017, other financial assets represented the investment in wealth management products issued by the banks. Other financial assets measured at fair value through profit and loss.

21 PLEDGED AND RESTRICTED DEPOSITS

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged for mortgage arrangements of the property buyers *(note (a))*	5,653	21,130	20,977	27,204
Restricted deposits for the construction contracts *(note (b))*	53,712	134,445	6,542	122,748
	59,365	155,575	27,519	149,952

Notes:

(a) In accordance with relevant contracts, certain property development companies of the Group are required to place in designated bank accounts certain cash deposits as collateral for mortgage loans advanced to property purchasers. Such guarantee deposits will be released after the property ownership certificates of the relevant properties are passed to the banks.

(b) In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds to secure the future payments of the constructions of the respective properties development projects. The deposits can only be used for payments for construction costs of the relevant properties developments with the approval from related government authority. Such restricted deposits will be released for the payments for construction costs of the related property development projects.

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise of:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	795	1,100	335	723
Cash at banks	54,150	104,272	93,837	473,769
	54,945	105,372	94,172	474,492

(b) Reconciliation of profit before taxation to cash generated from operation:

		Years ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit/(loss) before taxation		6,368	186,643	141,387	(5,763)	90,826
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortisation	*8(c)*	1,909	2,194	2,497	1,091	1,930
Net gain on disposal of subsidiaries		—	—	(22)	(22)	—
Net (gain)/loss on disposal of property, plant and equipment	*6*	—	(23)	59	—	9
Net gain on disposal of investment properties	*6*	(31,401)	—	—	—	—
Net gain on disposals of other financial assets	*6*	(7)	(267)	(178)	(12)	(26)
Finance costs	*8(a)*	1,868	397	219	134	40
Interest income	*6*	(251)	(2,203)	(1,343)	(822)	(625)
Net valuation gain on investment properties	*14(a)*	(100)	(2,000)	(1,670)	—	(1,420)
Share of profits less losses of associates		—	—	252	5	786
Share of profits less losses of joint ventures		—	—	82	17	181
Listing expenses	*8(c)*	—	—	—	—	8,753
Net unrealised exchange loss		—	1	91	—	32
Changes in working capital:						
(Increase)/decrease in inventories and other contract costs		(573,598)	116,605	99,846	(285,991)	(166,686)
(Increase)/decrease in trade and other receivables		(77,365)	(106,596)	8,230	57,412	10,958
(Increase)/decrease in pledged and restricted cash		(57,999)	(96,210)	128,056	20,712	(122,433)
Increase/(decrease) in contract liabilities		380,983	341,221	(659,058)	129,367	581,370
Increase/(decrease) in trade and other payables		55,745	(96,071)	74,352	(28,329)	24,094
Cash (used in)/generated from operations		(293,848)	343,691	(207,200)	(112,201)	427,789

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cashflows as cash flows from financing activities.

	Bank loans	Amounts due to related parties	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2015	117,457	710,196	827,653
Changes from financing cash flows:			
Repayment of bank loans	(59,927)	—	(59,927)
Proceeds from related parties	—	446,254	446,254
Repayment to related parties	—	(101,769)	(101,769)
Interest paid	(3,457)	—	(3,457)
Total changes from financing cash flows	(63,384)	344,485	281,101
Exchange adjustments	4,839	30,505	35,344
Other changes:			
Interest on bank loans *(note 8(a))*	3,457	—	3,457
Other non-cash effect	—	109	109
Total other changes	3,457	109	3,566
At 31 December 2015	62,369	1,085,295	1,147,664

	Bank loans	Amounts due to related parties	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016	62,369	1,085,295	1,147,664
Changes from financing cash flows:			
Repayment of bank loans	(63,805)	—	(63,805)
Proceeds from related parties	—	245,813	245,813
Repayment to related parties	—	(405,794)	(405,794)
Interest paid	(682)	—	(682)
Total changes from financing cash flows	(64,487)	(159,981)	(224,468)
Exchange adjustments	1,436	41,919	43,355
Other changes:			
Interest on bank loans *(note 8(a))*	682	—	682
Other non-cash effect	—	743	743
Total other changes	682	743	1,425
At 31 December 2016	—	967,976	967,976

	Bank loans RMB'000	Amounts due to related parties RMB'000	Total RMB'000
At 1 January 2017	—	967,976	967,976
Changes from financing cash flows:			
Proceeds from bank loans	299,317	—	299,317
Proceeds from related parties	—	215,620	215,620
Repayment to related parties	—	(163,528)	(163,528)
Interest paid	(5,128)	—	(5,128)
Total changes from financing cash flows	294,189	52,092	346,281
Exchange adjustments	—	(47,240)	(47,240)
Other changes:			
Interest on bank loans *(note 8(a))*	5,128	—	5,128
Other non-cash effect*	—	(14,698)	(14,698)
Total other changes	5,128	(14,698)	(9,570)
At 31 December 2017	299,317	958,130	1,257,447

* *The Group signed settlement agreements with certain related parties and offset the relevant receivables and payables in 2017.*

	Bank loans and interests payable RMB'000	Amounts due to related parties RMB'000	Total RMB'000
At 1 January 2018	299,317	958,130	1,257,447
Changes from financing cash flows:			
Proceeds from bank loans	105,537	—	105,537
Repayment of bank loans	(40,350)	—	(40,350)
Proceeds from related parties	—	12,510	12,510
Repayment to related parties	—	(62,367)	(62,367)
Interest paid	(7,876)	—	(7,876)
Total changes from financing cash flows	57,311	(49,857)	7,454
Exchange adjustments	—	7,340	7,340
Other changes:			
Interest on bank loans *(note 8(a))*	8,464	—	8,464
Deemed distribution to shareholders *(note 24(c))*	—	65,443	65,443
Investment in subsidiaries *(note 15)*	—	22,385	22,385
Other non-cash effect*	—	16,975	16,975
Total other changes	8,464	104,803	113,267
At 30 June 2018	365,092	1,020,416	1,385,508

* *A related party of the Group provided a shareholder's loan on behalf of the Group to an associate of the Group during the six months ended 30 June 2018 (see note 16).*

(Unaudited)

	Bank loans RMB'000	Amounts due to related parties RMB'000	Total RMB'000
At 1 January 2017	—	967,976	967,976
Changes from financing cash flows:			
Proceeds from bank loans	90,000	—	90,000
Proceeds from related parties	—	100,191	100,191
Repayment to related parties	—	(75,011)	(75,011)
Interest paid	(732)	—	(732)
Total changes from financing cash flows	89,268	25,180	114,448
Exchange adjustments	—	(17,072)	(17,072)
Other changes:			
Interest on bank loans *(note 8(a))*	732	—	732
Other non-cash effect	—	393	393
Total other changes	732	393	1,125
At 30 June 2017	90,000	976,477	1,066,477

23 BANK LOANS

This note provides information about the contractual terms of the Group's bank loans. For more information about the Group's exposure to interest rate risk, please refer to note 27(c).

	As at 31 December			As at 30 June
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
— Secured	—	—	299,317	364,504
— Unsecured	62,369	—	—	—
	62,369	—	299,317	364,504

The secured bank loans are secured by assets as below:

	As at 31 December			As at 30 June
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Inventories	—	—	163,078	286,050

At 31 December 2015, the bank loan is interest-bearing at Hong Kong Inter Bank Offered Rate ("HIBOR") plus 3.5%.

At 31 December 2017, the bank loan is interest-bearing at 110% of the benchmarked loan interest rate published by the People's Bank of China ("RMB Loan Benchmark Rate").

At 30 June 2018, the bank loan is interest-bearing at 110% or 130% of RMB Loan Benchmark Rate.

All bank loans are guaranteed by related parties (see note 30(e)).

The Group's banking facilities are subject to the fulfilment of certain covenants which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. Further details of the Group's management of liquidity risk are set out in note 27(b). At 31 December 2017, the Group breached below covenants relating to bank loans totalling RMB269,000,000:

1) The required commencing date for the pre-sales of certain properties; and

2) Restriction imposed to the transactions with related parties.

The Group renegotiated with the banks for the revised terms and obtained the waiver letters from the banks for the breaches of loan covenants as at 31 December 2017 on 30 April 2018.

At 30 June 2018, the Group breached below covenants relating to bank loans totalling RMB287,109,000:

1) The limitation of the total investment to the relevant project; and

2) Restriction imposed to the financial support or guarantee provided to other parties.

The Group renegotiated with the banks for the revised terms and obtained the waiver letters from the banks for the breaches of loan covenants as at 30 June 2018 on 31 October 2018.

At 31 December 2015, 2016 and 2017 and 30 June 2018, bank loans were repayable as follows according to the repayment schedules as set out in the loan agreements :

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 year	62,369	—	80,700	121,824
After 1 year but within 2 years	—	—	188,300	181,538
After 2 years but within 5 years	—	—	30,317	61,142
	62,369	—	299,317	364,504

However, pursuant to the respective loan agreements, the banks have the rights to require an earlier repayment at their discretions. In this regard, all these bank loans were classified as current liabilities at 31 December 2015, 2016 and 2017 and 30 June 2018.

24 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion:				
Trade creditors	114,357	57,153	74,552	71,502
Other payables and accruals	116,852	76,319	150,989	166,799
Amounts due to related parties *(note (b))*	1,085,295	967,976	958,130	954,973
	1,316,504	1,101,448	1,183,671	1,193,274
Non-current portion:				
Amounts due to related parties *(note (c))*	—	—	—	65,443
	1,316,504	1,101,448	1,183,671	1,258,717

Notes:

(a) Ageing analysis of trade creditors included in trade and other payables as at the end of the reporting period, based on the date of the trade payables recognised:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	43,689	56,784	70,572	44,854
3 to 6 months	70,411	110	307	1
6 to 12 months	4	2	901	23,457
Over 12 months	253	257	2,772	3,190
	114,357	57,153	74,552	71,502

(b) Current portion of the amounts due to related parties are interest-free, unsecured and repayable on demand.

(c) Pursuant to the Capital Injection Agreement between Huizhou Yuefu Real Estate Co., Ltd. and its shareholders signed on 25 June 2018 (the "Agreement"), the retained profits as at 31 May 2018 and the estimated unrealised gain arising from the unsold inventories as at 31 May 2018 should be distributed to the original shareholders in accordance with share proportion before the capital injection. The total balance is initially recognised at fair value and subsequently stated at amortised cost. The balance is unsecured and expected to be paid off after the relevant inventories are sold out.

25 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
CIT payable	12,966	35,281	38,060	17,111
LAT payable	11,024	11,237	17,969	30,200
	23,990	46,518	56,029	47,311

(b) Deferred tax assets recognised:

(i) Movement of each component of deferred tax assets/(liabilities)

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

	Unused tax losses	Temporary difference on revenue recognition	Revaluation on investment properties	Provision for LAT	Other temporary differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:						
At 1 January 2015	5,163	(13)	(5,484)	—	—	(334)
Credited/(charged) to profit or loss *(note 9(a))*	7,387	(2,263)	1,162	—	—	6,286
At 31 December 2015	12,550	(2,276)	(4,322)	—	—	5,952
At 1 January 2016	12,550	(2,276)	(4,322)	—	—	5,952
Charged to profit or loss *(note 9(a))*	(2,387)	(2,305)	(872)	—	—	(5,564)
At 31 December 2016	10,163	(4,581)	(5,194)	—	—	388
At 1 January 2017	10,163	(4,581)	(5,194)	—	—	388
(Charged)/credited to profit or loss *(note 9(a))*	(8,966)	1,287	839	—	1,647	(5,193)
At 31 December 2017	1,197	(3,294)	(4,355)	—	1,647	(4,805)
At 1 January 2018	1,197	(3,294)	(4,355)	—	1,647	(4,805)
Credited/(charged) to profit or loss *(note 9(a))*	2,028	(8,054)	(485)	1,790	(1,134)	(5,855)
At 30 June 2018	3,225	(11,348)	(4,840)	1,790	513	(10,660)

Reconciliation to the consolidated statements of financial position:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Representing:				
Deferred tax assets	10,274	5,338	1,352	2,363
Deferred tax liabilities	(4,322)	(4,950)	(6,157)	(13,023)
	5,952	388	(4,805)	(10,660)

(ii) Deferred tax liabilities not recognised

As at 31 December 2015, 2016 and 2017 and 30 June 2018, deferred tax liabilities in respect of the dividend withholding tax relating to the distributable profits of the Company's subsidiaries were not recognised as the Company controls the dividend policy of the subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the distributable profits of the Company's subsidiaries would not be distributed to the Hong Kong and overseas holding companies in the foreseeable future. The amounts of distributable profits of the Company's subsidiaries are set out below:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	64,410	167,146	230,778	219,486

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

For the purposes of this report, the capital as at 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017, 1 January 2018 represented the aggregate amount of the paid-in capital of the companies now comprising the Group after the elimination of investments in subsidiaries. After the Reorganisation, the share capital as at 30 June 2018 represented the share capital of the Company.

Authorised shares of the Company	No. of shares	Amount
		HK$
Ordinary share of HK$0.01 each	1,000,000	10,000

Issued and fully paid share capital	No. of shares	Amount in HK$	Amount in RMB
As at 15 November 2016 (date of incorporation)	—	—	—
Issued during the period	1	0.01	0.01
As at 31 December 2016 and 2017	1	0.01	0.01
Issued during the period	1	0.01	0.01
As at 30 June 2018	2	0.02	0.02

(b) Nature and purpose of reserves

(i) Statutory reserves

According to the PRC Company Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after taxation, as determined under the PRC accounting regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to reduce previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing equity interest of investors.

For the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018, the Group transferred RMB1,673,000, RMB6,060,000, RMB4,327,000 and nil respectively of the current year's net profit of the Group as determined in accordance with the PRC accounting rules and regulations, to this reserve.

(ii) Exchange reserves

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of Hong Kong and foreign operations to RMB. The reserves are dealt with in accordance with the accounting policies set out in note 2(u).

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as interest-bearing loans and borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity and the amounts due to related parties (current portion).

The Group's adjusted net debt-to-capital ratio at 31 December 2015, 2016 and 2017 and 30 June 2018 was as follows:

		As at 31 December			As at 30 June
		2015	2016	2017	2018
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	23	62,369	—	299,317	364,504
Less: Cash and cash equivalents	22	(54,945)	(105,372)	(94,172)	(474,492)
Adjusted net debt/(cash)		7,424	(105,372)	205,145	(109,988)
Total equity		55,395	144,149	267,935	213,244
Add: Amounts due to related parties (current portion)		1,085,295	967,976	958,130	954,973
Adjusted capital		1,140,690	1,112,125	1,226,065	1,168,217
Adjusted net debt-to-capital ratio		0.7%	N/A	16.7%	N/A

(d) Dividends

No dividends have been declared or paid by the Company and its subsidiaries during the Relevant Periods. In respect of the deemed distribution to shareholders by the subsidiary of the Group, please refer to note 24(c).

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risks arising from cash and cash equivalents and other financial assets are limited because these financial assets held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation, for which the Group considers to have low credit risk.

In respect of trade debtors, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers locate or operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. However, there are no significant concentrations of credit risk within the Group during the Relevant Period.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As of 31 December 2015, 2016, 2017 and 30 June 2018, no trade debtors were past due. The Group normally receives full payment from buyers before the hand-over of the property. For mortgage sales with sales proceeds not yet fully settled, the Group would not hand-over the property to the customers unless it obtains confirmation from the banks providing mortgage that the respective mortgages have been approved. In addition, the Group would not apply the property certificates to the customers unless full amount of sales proceeds are settled. Accordingly, the Group has assessed that the expected loss rate for trade debtors was immaterial. Thus no bad debt provision for trade debtors was recognised during the Relevant Periods.

In respect of other debtors and amounts due from related parties, the Group has assessed that the expected credit loss are not material under the 12 months expected losses method. Thus no bad debt provision was recognised during the Relevant Periods.

Except for the financial guarantees given by the Group as set out in note 29, the Group does not provide any other guarantees which would expose the Group to credit risk.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	RMB'000	RMB'000
At 31 December 2015			
Bank loans	62,369	63,034	63,034
Trade and other payables	1,316,504	1,316,504	1,316,504
Total	1,378,873	1,379,538	1,379,538

	Contractual undiscounted cash outflow		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	RMB'000	RMB'000
At 31 December 2016			
Trade and other payables	1,101,448	1,101,448	1,101,448

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
	Contractual undiscounted cash outflow		
At 31 December 2017			
Bank loans	299,317	313,474	313,474
Trade and other payables	1,183,671	1,183,671	1,183,671
Total	1,482,988	1,497,145	1,497,145

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
	Contractual undiscounted cash outflow				
At 30 June 2018					
Bank loans	364,504	389,789	389,789	—	—
Trade and other payables	1,258,717	1,269,521	1,193,274	—	76,247
Total	1,623,221	1,659,310	1,583,063	—	76,247

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and cash at bank issued at variable rates that expose the Group to cash flow interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. The Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-generating financial assets and interest-bearing financial liabilities at the end of reporting period:

	Contractual undiscounted cash outflow							
	As at 31 December						As at 30 June	
	2015		2016		2017		2018	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Cash at bank	0.35%	54,150	0.35%	104,272	0.35%	93,837	0.35%	473,769
Pledged and restricted cash	0.35%	59,365	0.35%	155,575	0.35%	27,519	0.35%	149,952
Less: Bank loans	HIBOR plus 3.5%	(62,369)	—	—	110% of RMB Loan Benchmark Rate	(299,317)	110% to 130% of RMB Loan Benchmark Rate	(364,504)
Total		51,146		259,847		(177,961)		259,217

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 30 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and increased/decreased retained profits by approximately RMB68,000.

At 31 December 2016 and 30 June 2018, it is estimated that a general increase/decrease of 30 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB584,000, and RMB584,000 respectively.

At 31 December 2017, it is estimated that a general increase/decrease of 30 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB400,000.

In respect of the net exposure to cash flow interest rate risk arising from floating cash at bank and bank loans held by the Group at the end of the reporting period, the impact on the Group's profit after tax and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on a consistent basis for the Relevant Periods.

The sensitivity analysis above assumes that the change in interest rates had occurred at the end of the reporting period and had been applied to all floating rate bank loans and cash at bank, without taking into account the impact of interest capitalisation.

(d) Currency risk

The Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of the Company and its subsidiaries are not significant.

(e) Fair values

(i) Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

As at 31 December 2015, 2016 and 2017, the financial instruments of the Group carried at fair value represent the other financial assets of RMB32,333,000, RMB35,000,000 and RMB40,000,000 respectively. These instruments are measured at the present value of the amount expected to receive at such instruments' maturities, considered the interest rate level at that time. Their fair value measurements fall into Level 2 of the fair value hierarchy described above. The Group redeemed all of the financial assets during the period ended 30 June 2018.

During the Relevant Periods, there were no transfers among Level 1, Level 2 and Level 3.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amount of the Group's financial instruments carried at amortised cost are not materially different from their fair value as at 31 December 2015, 2016 and 2017 and 30 June 2018, except the amounts due from/to related parties which are interest-free, unsecured and receivable/repayable on demand. Given these terms it is not meaningful to quantify their fair value and therefore they are stated at cost.

28 COMMITMENTS

Commitments outstanding at 31 December 2015, 2016 and 2017 and 30 June 2018 not provided for in the financial statements were as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for:				
Construction and development contracts	281,571	109,380	780,090	516,266

Commitments mainly related to development costs for the Group's properties under development.

29 CONTINGENT LIABILITIES

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group has issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks amounted to RMB138,454,000, RMB551,302,000, RMB376,279,000 and RMB107,677,000 as at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively, which will be terminated upon the completion of the transfer procedures with the property buyers in respect of the legal title of the properties.

The directors do not consider the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers have default payment. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be insignificant by the directors.

30 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere, the Group entered into the following material related party transactions.

(a) Name and relationship with related parties

Name of party	Relationship with the Group
Wong Ting Chung 王庭聰	Collective controlling shareholders of the Group
Wong Ting Kau 王庭交	Collective controlling shareholders of the Group
Wong Ting Chun 王庭真	Collective controlling shareholders of the Group
Wong Wai Ling 王惠玲	Collective controlling shareholders of the Group
Wong Wai Yue 王槐裕	Collective controlling shareholders of the Group
Lau Ka Keung 樓家強	Collective controlling shareholders of the Group
Lin Guoxian 林國賢	Close family member of Wong Ting Chung
Wong Man Li 黄敏利	Controlling shareholder of Man Wah Investments Limited
Tsang Man Sound 曾文省	Close family member of Wong Man Li
Liu Weito 劉偉韜	Minority shareholder in certain entities of the Group
Fan Yuanxin 范元新	Close family member of Liu Weito
Wong Xiaoxia 王小霞	Minority shareholder in certain entities of the Group
Man Wah Investments Limited ("Man Wah") *(note 1)*	Minority shareholder in certain entities of the Group
Winnermax Management Limited ("Winnermax Management")	Entities controlled by Wong Ting Chung and his family
Main Galaxy Development Limited ("Main Galaxy")	Entities controlled by Wong Ting Chung and his family
Gold Concept Development Limited ("Gold Concept")	Associate of the Group

Name of party	Relationship with the Group
Asia Image (H.K.) Limited ("Asia Image")	Associate of the Group
Gold Paradise Investment Limited ("Gold Paradise")	Entities controlled by Lin Guoxian
Henan Julongju Real Estate Co., Ltd. 河南聚龍居置業有限公司* ("Henan Julongju")	Associate of the Group
Well Kong Investments Limited ("Well Kong Investment")	Joint venture of the Group
Well Kong (H.K.) Limited ("Well Kong HK")	Joint venture of the Group
Huizhou Well Kong Real Estate Co., Ltd 惠州惠港置業有限公司* ("Huizhou Well Kong")	Joint venture of the Group
Good Teamco (HK) Limited ("Good Teamco")	Entities controlled by Wong Ting Chung and his family
Fortunate Creation (Hong Kong) Limited ("Fortunate Creation") (formerly known as Million Cities Holdings Limited)	Entities controlled by Wong Ting Chung and his family
Huizhou Kangcheng Property Management Ltd. ("Huizhou Kangcheng") 惠州市康城物業管理有限公司* *(note 2)*	Entities controlled by Lin Guoxian
Tianjin Kangcheng Property Management Ltd. ("Tianjin Kangcheng") 天津市康城物業管理有限公司*	Entities controlled by senior management
Wuhu Dexin Real Estate Co., Ltd. ("Wuhu Dexin") 蕪湖德信置業有限公司*	Entities with significant influence by Wong Ting Chung and his family
Jinjiazhuang (Huizhou) Health Food Co., Ltd. ("Jinjiazhuang Health Food") 勁家莊(惠州)健康食品有限公司*	Entities with significant influence by Wong Ting Chung and his family

Name of party	Relationship with the Group
Huizhou Changlong Biotechnology Co., Ltd. ("Huizhou Changlong") 惠州長龍生物技術有限公司*	Entities with significant influence by Wong Ting Chung and his family
Huizhou Lixin Science and Technology Co., Ltd. ("Huizhou Lixin") 惠州立信科技有限公司*	Entities controlled by Wong Ting Chung and his family
Huizhou Yonglitian Real Estate Co., Ltd. ("Huizhou Yonglitian") 惠州永利添置業有限公司*	Entities controlled by Wong Ting Chung and his family
Huizhou Gangsheng Real Estate Co., Ltd. ("Huizhou Gangsheng") 惠州港升置業有限公司*	Entities controlled by Wong Ting Chung and his family
Huizhou Derong Real Estate Co., Ltd. ("Huizhou Derong") 惠州得榮置業有限公司*	Entities controlled by Wong Ting Chung and his family
Huizhou Weirong Real Estate Co., Ltd. ("Huizhou Weirong") 惠州偉榮置業有限公司*	Entities controlled by Wong Ting Chung and his family
Huizhou Chuanghui Electronic Technology Co., Ltd ("Huizhou Chuanghui"). 惠州市創匯電子科技有限公司*	Entities controlled by Wong Ting Chung and his family
Huizhou Nanxuan Weaving Co., Ltd. ("Huizhou Nanxuan") 惠州南旋毛織廠有限公司*	Entities controlled by Wong Ting Chung and his family

* *These entities are PRC limited liability companies. The English translation of the Company names is for reference only. The official names of the companies are in Chinese.*

Note 1 Man Wah transferred its equity interest in China Lands Investments Limited on 15 December 2017 to Brightwood Management Limited, which is wholly controlled by Man Wah.

Note 2 Lin Guoxian and Liu Weito disposed of their equity interests in Huizhou Kangcheng respectively on 7 May 2018 and 29 June 2018, and then Huizhou Kangcheng ceased to be a related party of the Group as at 30 June 2018.

(b) Transactions with key management personnel

Remuneration for key management personnel of the Group is as follows:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term employee benefits	1,726	1,925	2,576	1,071	2,106
Retirement scheme contributions	14	17	28	9	23
	1,740	1,942	2,604	1,080	2,129

(c) Transactions with related parties

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of properties *(note (i))*	—	2,774	—	—	—
Lease of properties *(note (ii))*	916	1,164	336	287	50
Accommodation services received *(note (iii))*	(1,037)	(375)	(777)	(322)	(546)
Property management services received *(note (iv))*	(792)	(1,894)	(1,602)	(778)	(1,261)
Purchase of goods *(note (v))*	(30)	(163)	(152)	(76)	(87)

(i) Sales of properties

During the Relevant Periods, the Group sold properties to the following related party:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fan Yuanxin	—	2,774	—	—	—

(ii) Lease of properties

During the Relevant Periods, the Group leased certain properties to the related parties with rental income earned as follows:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Huizhou Gangsheng	916	1,164	235	235	—
Huizhou Nanxuan	—	—	101	52	50
	916	1,164	336	287	50

(iii) Accommodation services received

During the Relevant Periods, the Group paid the following fees in relation to the accommodation services provided by the following related parties:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Huizhou Gangsheng	1,037	375	763	322	546
Wuhu Dexin	—	—	14	—	—
	1,037	375	777	322	546

(iv) Property management services received

During the Relevant Periods, the Group paid the following fees in relation to the property management services provided by the following related parties:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Huizhou Kangcheng	792	1,894	1,602	778	1,261

(v) Purchase of goods

During the Relevant Periods, the Group purchased goods from the following related party:

	Years ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Huizhou Jinjiazhuang	30	163	152	76	87

(d) Balances with related parties

Balances with related parties as at 31 December 2015, 2016 and 2017 and 30 June 2018 are detailed as follows:

Amounts due from related parties recorded in other receivables and interests in associates and joint ventures:

	As at 31 December			As at 30 June
Non-trade in nature	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Henan Julongju	—	—	87,000	87,000
Wong Man Li	—	—	61,740	—
Lau Ka Keung	—	—	37,863	37,863
Good Teamco	42,228	—	—	13
Tsang Man Sound	—	34,696	—	—
Wong Ting Chung	20,000	62,407	1,570	2,225
Huizhou Kangcheng	5,775	5,942	6,183	—
Tianjin Kangcheng	500	2,100	3,100	—
Huizhou Gangsheng	96	86	—	—
Huizhou Lixin	730	860	860	860
Well Kong Investment	—	—	41,384	41,740
Huizhou Well Kong	—	—	260	12,260
Asia Image	—	—	251	253
Main Galaxy	—	—	92	93
Huizhou Changlong	3	—	—	—
Gold Concept	—	—	1	20,235
Huizhou Yonglitian	—	—	2	2
Fortunate Creation	11	12	13	—
Gold Paradise	—	—	—	5
	69,343	106,103	240,319	202,549

Amounts due to related parties recorded in other payables:

Non-trade in nature	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 30 June 2018 RMB'000
Wong Ting Chung	431,900	467,728	512,075	552,782
Wong Xiaoxia	279,185	131,678	20,000	31,413
Man Wah	185,598	228,348	213,389	215,227
Liu Weito	15,060	63,945	114,364	109,201
Wong Ting Kau	9,807	9,807	9,807	5,307
Wong Wai Ling	4,000	4,000	4,000	3,307
Wong Wai Yue	11,500	11,500	11,500	11,500
Lau Ka Keung	47,208	258	157	157
Huizhou Kangcheng	109	1,481	2,234	—
Wong Man Li	31,290	—	—	—
Tsang Man Sound	3,510	—	—	—
Huizhou Gangsheng	13,422	13,422	8,000	8,279
Huizhou Derong	8,450	—	—	—
Huizhou Weirong	8,656	—	—	—
Fan Yuanxin	15,600	15,600	15,600	15,600
Huizhou Chuanghui	20,000	19,980	—	—
Winnermax Management	—	229	47,004	67,643
	1,085,295	967,976	958,130	1,020,416

(e) Bank loans guaranteed by related parties

As at 31 December 2015, the bank loans of RMB62,369,000 were jointly guaranteed by Wong Ting Chung, Wong Ting Kau, Wong Ting Chun and Wong Man Li.

As at 31 December 2017, the bank loans of RMB299,317,000 were jointly guaranteed by Wong Ting Chung and Lau Ka Keung.

As at 30 June 2018, the bank loans of RMB287,109,000 were jointly guaranteed by Wong Ting Chung and Lau Ka Keung and the bank loans of RMB42,567,000 and RMB34,828,000 were guaranteed by Wong Ting Chung and Wong Man Li respectively.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE BEFORE THE PERIOD BEGINNING 1 JANUARY 2019

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period beginning 1 January 2019 and which have not been adopted in the Historical Financial Information. The amendments, new standards and interpretations comprise of the following.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
Amendments to HKFRS 9, *Prepayment features with negative compensation*	1 January 2019
Amendments to HKFRS 19, *Plan amendment, Curtailment, or Settlement*	1 January 2019
HK(IFRIC) Interpretation 23, *Uncertainty over income tax treatments*	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	*Note 1*
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
HKFRS 17, *Insurance contracts*	1 January 2021

Note 1: The effective date will be determined by HKICPA at a future date.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact of the consolidated financial statements. In particular, details of the expected impacts on the adoption of HKFRS 16 are discussed below:

HKFRS 16, Leases

As disclosed in note 2(i), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. At 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB376,000, which is payable within two years after the reporting date. The Group expects the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16 will not be material.

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The net amounts of approximately RMB130.9 million and RMB443.0 million due to the controlling shareholders as at 30 June 2018 will be settled and capitalised into the equity, respectively, prior to listing. Apart from the above, there is no significant subsequent events took place after 30 June 2018.

33 INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES

The statutory financial statements of the following companies now comprising the Group for each of the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018, or since their respective dates of acquisition/establishment, where this is a shorter period, were prepared in accordance with either HKFRSs issued by the HKICPA or the relevant accounting rules and regulations applicable to enterprises in the PRC and were audited during the Relevant Periods by the respective statutory auditors as indicated below:

Name of company	Financial period	Statutory auditors
Million Cities (Int'l) Limited	Years ended 31 December 2015, 2016 and 2017	Kalvin Lee & Co.
Well Kong (H.K.) Limited	Years ended 31 December 2015 and 2016	Simon Chong & Company
China Field Investment Limited	Years ended 31 December 2015, 2016 and 2017	Kalvin Lee & Co.
Cheer Happy (H.K.) Limited	Years ended 31 December 2015, 2016 and 2017	Kalvin Lee & Co.
China Lands Investments Limited	Years ended 31 December 2015, 2016 and 2017	Simon Chong & Company
Join Kong (H.K.) Limited	Years ended 31 December 2015, 2016 and 2017	Simon Chong & Company
Million Cities Construction (China) Co., Ltd. 萬城建設(中國)有限公司*	Year ended 31 December 2017	惠州方正會計師事務所
Huizhou Yuefu Real Estate Co., Ltd. 惠州市悅富房地產有限公司*	Years ended 31 December 2015, 2016 and 2017	惠州榮德會計師事務所
Huizhou China Field Real Estate Development Co., Ltd. 惠州漢基房地產發展有限公司*	Year ended 31 December 2015	惠州市安信會計師事務所有限公司
	Years ended 31 December 2016 and 2017	惠州榮德會計師事務所

Name of company	Financial period	Statutory auditors
Huizhou Cheer Happy Real Estate Development Co., Ltd. 惠州怡展房地產開發有限公司*	Years ended 31 December 2015, 2016 and 2017	惠州榮德會計師事務所
Huizhou Million Cities Real Estate Development Co., Ltd. 惠州市萬城房地產開發有限公司*	Years ended 31 December 2015, 2016 and 2017	惠州榮德會計師事務所
Million Cities Jianji Real Estate (Tianjin) Co., Ltd. 萬城建基置業(天津)有限公司*	Year ended 31 December 2015	天津市津祥有限責任會計師事務所
	Years ended 31 December 2016 and 2017	天津誠泰有限責任會計師事務所

* *These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.*

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2018.

The information set forth in this appendix does not form part of the Accountants' Report from the reporting accountants of our Company, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and our historical financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity shareholders of the Company as if the Global Offering had been completed on 30 June 2018. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to equity shareholders of the Company had the Global Offering been completed as at 30 June 2018 or any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of 30 June 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share	
	RMB'000(1)	RMB'000(2)(5)	RMB'000(3)	RMB(4)	HK$(5)
Base on an Offer Price of HK$1.07 per share	133,507	156,041	289,548	0.39	0.44
Base on an Offer Price of HK$1.33 per share	133,507	196,870	330,337	0.44	0.50

Notes:

(1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 June 2018 is calculated based on the consolidated net assets of the Group attributable to equity shareholders of the Company of RMB133,507,000 as at 30 June 2018, as extracted from the financial information included in the Accountants' Report set out in Appendix I to the prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$1.07 and HK$1.33 per share, respectively, being the lower end price and higher end price of the indicative Offer Price range, after deduction of the estimated underwriting fees and other related expenses related to Global Offering (excluding approximately RMB9,713,000 listing expenses which has been charged to profit or loss up to 30 June 2018) and the issuance of 187,500,000 shares, assuming the Over-Allotment Option and any options which may be granted under the Shares Option Scheme are not exercised, and excluding any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(3) The adjusted consolidated net tangible assets of our Group attributable to equity shareholders of our Company excluded the capitalisation of amounts due to our controlling shareholders that will happen before listing.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after the adjustments for the estimated net proceeds from the Global Offering payable by the Group as described in note (2) and on the basis that a total of 750,000,000 shares are expected to be in issue assuming that the Global Offering was completed on 30 June 2018, the Over-Allotment Option and any options which may granted under the Shares Option Scheme are not exercised, and excluding any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share are converted into RMB and Hong Kong dollars respectively at an exchange rate of HK$1 to RMB0.8725. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.

(6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2018.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF MILLION CITIES HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Million Cities Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2018 and related notes as set out in Part A of Appendix II to the prospectus dated 10 December 2018 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2018 as if the Global Offering had taken place at 30 June 2018. As part of this process, information about the Group's financial position as at 30 June 2018 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
10 December 2018

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this prospectus received from Colliers International (Hong Kong) Ltd., an independent valuer, in connection with its valuation as at 30 September 2018 of the property interests held by the Group.

The Board of Directors
Million Cities Holdings Limited

Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman KY1-1111,
Cayman Islands

10 December 2018

Dear Sirs,

INSTRUCTIONS, PURPOSE AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the property interests located in The People's Republic of China ("The PRC") held by Million Cities Holdings Limited (the "Company") and its subsidiaries (together with the Company referred to as the "Group" hereinafter). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion in respect of the Market Value of the property interests as at 30 September 2018.

VALUATION STANDARDS

The valuation has been carried out in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards (2017) published by the International Valuation Standards Council effective from 1 July 2017, and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BASIS OF VALUATION

Our valuation has been undertaken on the basis of Market Value, which is defined by The Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION ASSUMPTIONS

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 charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the land use rights.

VALUATION METHODOLOGY

In the valuation of the property interests held by the Group in The PRC, where applicable, we have adopted the market approach assuming sale of property interests in their existing state and by making reference to comparable sale transactions as available in the relevant markets.

When valuing the property interests which were under construction as at the Valuation Date, we have adopted market approach to assess the gross development values of the proposed developments by making reference to comparable sale transactions as available in the relevant markets. The gross development values are then adjusted with consideration of the outstanding development costs, the outstanding development periods and the potential profit margins to arrive at our opinion of values of the property interests.

In our valuation, we have classified the property interests into 5 groups, including the followings:

Group 1 — Property Interests Held by the Group for Future Development in The PRC, which refers to the property interests which have obtained Land Grant Contracts but yet to obtain Construction Works Commencement Permits;

Group 2 — Property Interests Held by the Group for Development in The PRC, which refers to the property interests which have obtained Construction Works Commencement Permits but yet to obtain Completion Certificates;

Group 3 — Property Interests Held by the Group for Sale in The PRC, which refers to the property interests which have obtained Completion Certificates and are planned for sale; and

Group 4 — Property Interests Held by the Group for Investment in The PRC, which refers to the property interests which have obtained Completion Certificates and are planned for leasing.

Group 5 — Property Interests Leased by the Group for Its Own Use in The PRC, which refers to the property interests leased by the Group. We have attributed no commercial value to the property interests in Group 5, due either to the prohibition against assignment or sub-letting or otherwise the lack of substantial profit rents.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests and have made relevant enquiries where possible. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advice given by the Group's PRC Legal Advisers, Tian Yuan Law Firm and AllBright Law Offices, regarding the titles of the property interests in The PRC. We do not accept liability for any interpretation that we have placed on such information.

All legal documents disclosed in this letter, the summary of values and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the summary of values and the valuation certificates.

SOURCES OF INFORMATION

We have relied to a considerable extent on the information provided by the Group in respect of the titles of the property interests in The PRC. We have also accepted advice given by the Group on matters such as identification of the property, particulars of occupancy, statutory notices, easements, tenure, areas, site plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the properties. No structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We are unaware of any adverse ground conditions affecting the properties and have not had sight of a ground and soil survey. We have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future developments. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

Site inspections of the properties were carried out in April, June and November 2018 by Mr. Simon Lee and Ms. Claudia Yip. Ms. Claudia Yip is a member of The Royal Institution of Chartered Surveyors.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the areas in respect of the properties interests but have assumed that the areas shown on the documents and plans provided to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (“RMB”).

We hereby certify that we have neither present nor a prospective interest in the properties or the values reported.

Our summary of values and valuation certificates are attached hereto.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Ltd.
David Faulkner
Registered Professional Surveyor *(General Practice)*
BSc(Hons) FRICS FHKIS MAE
Managing Director,
Valuation & Advisory Services, Asia

Note: Mr. David Faulkner holds a Bachelor's Degree in Urban Land Economics and he is a Registered Professional Surveyor with over 39 years' experience in real estate and asset valuations. His experience in valuations covers Hong Kong, Macau, Taiwan, Mainland China and other overseas countries. Mr. Faulkner is a fellow member of The Royal Institution of Chartered Surveyors and a fellow member of the Hong Kong Institute of Surveyors, a practising member of the Academy of Experts.

SUMMARY OF VALUES

Group 1 — Property Interests Held by the Group for Future Development in the PRC

No.	Property	Market Value in existing state as at 30 September 2018 RMB	Interest attributable to the Group	Market Value in existing state as at 30 September 2018 attributable to the Group RMB
1	Phase 2 of a residential Land, namely Dragon Palace, located at the south of Hexing Road, Suiping County, Zhumadian, Henan Province, The PRC	86,000,000	30%	25,800,000
2	Phases 4 and 5 of a residential development, namely Million Cities International, located at Baiyunkeng, Huiyang District, Huizhou, Guangdong Province, The PRC	271,000,000	100%	271,000,000
3	A mixed-use development, namely Million Cities Royal Court, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	118,000,000	54.5%	64,310,000
4	A commercial land, namely Million Cities Tonghu Centre, located at Tonghu Ecological Intelligent Zone, Huicheng District, Huizhou, Guangdong Province, The PRC	460,000,000	50%	230,000,000
5	Phase 2 of a residential land, namely Dragon Terrace, located at Tonghu Ecological Intelligent Zone, Huicheng District, Huizhou, Guangdong Province, The PRC	343,000,000	50%	171,500,000

No.	Property	Market Value in existing state as at 30 September 2018 RMB	Interest attributable to the Group	Market Value in existing state as at 30 September 2018 attributable to the Group RMB
6	A residential land located at Lianhe Village, Shuikou Town, Huicheng District, Huizhou, Guangdong Province, The PRC	No Commercial Value	100%	No Commercial Value
	Sub-total:	**1,278,000,000**		**762,610,000**

Group 2 — Property Interests Held by the Group for Development in the PRC

No.	Property	Market Value in existing state as at 30 September 2018 RMB	Interest attributable to the Group	Market Value in existing state as at 30 September 2018 attributable to the Group RMB
7	Phase 3 of a residential development, namely Million Cities Tycoon Place, located at No. 123 Jiahe Road, Wuqing District, Tianjin, The PRC	278,000,000	55%	152,900,000
8	Phase 4 of a residential development, namely Million Cities Tycoon Place, located at No. 123 Jiahe Road, Wuqing District, Tianjin, The PRC	208,000,000	55%	114,400,000
9	Phase 3 of a mixed-use development, namely Million Cities Legend, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	122,000,000	54.5%	66,490,000
10	Phase 2 of a mixed-use development, namely Million Cities Legend, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	976,000,000	54.5%	531,920,000
11	A residential development, namely Crown Grand Court, located at the south of Jichang Road, Huicheng District, Huizhou, Guangdong Province, The PRC	444,000,000	100%	444,000,000
12	Phase 1 of a residential land, namely Dragon Terrace, located at Tonghu Ecological Intelligent Zone, Huicheng District, Huizhou, Guangdong Province, The PRC	492,000,000	50%	246,000,000

No.	Property	Market Value in existing state as at 30 September 2018 RMB	Interest attributable to the Group	Market Value in existing state as at 30 September 2018 attributable to the Group RMB
13	A commercial development, namely Legend Plaza, located at the south of Jiahe Road, Wuqing District, Tianjin, The PRC	115,000,000	55%	63,250,000
14	Phase 1 of a residential development, namely Dragon Palace, located at the south of Hexing Road, Suiping County, Zhumadian, Henan Province, The PRC	813,000,000	30%	243,900,000
	Sub-total:	**3,448,000,000**		**1,862,860,000**

Group 3 — Property Interests Held by the Group for Sale in The PRC

No.	Property	Market Value in existing state as at 30 September 2018 RMB	Interest attributable to the Group	Market Value in existing state as at 30 September 2018 attributable to the Group RMB
15	Phases 1, 2 and 3 of a residential development, namely Million Cities International, located at Baiyunkeng, Huiyang District, Huizhou, Guangdong Province, The PRC	336,000,000	100%	336,000,000
16	Phase 1 of a mixed-use development, namely Million Cities Legend, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	147,000,000	54.5%	80,115,000
17	Phases 1 and 2 of a residential development, namely Sunshine New Court, located at Renmin South 4th Road, Huicheng District, Huizhou, The PRC	36,000,000	95.39%	34,340,400
18	Phases 1 and 2 of a residential development, namely Million Cities Tycoon Place, located at No. 123 Jiahe Road, Wuqing District, Tianjin, The PRC	195,000,000	55%	107,250,000
	Sub-total:	**714,000,000**		**557,705,400**

Group 4 — Property Interests Held by the Group for Investment in The PRC

No.	Property	Market Value in existing state as at 30 September 2018 RMB	Interest attributable to the Group	Market Value in existing state as at 30 September 2018 attributable to the Group RMB
19	A portion of a composite development, namely Yuehu Ju, located at No. 36 Xiajiao East Road, Huicheng District, Huizhou, Guangdong Province, The PRC	23,000,000	100%	23,000,000
20	A portion of a commercial development, namely Port Vehicle Inspection Yard Office Building, located at Huifeng 2nd Road, Huicheng District, Huizhou, Guangdong Province, The PRC	7,000,000	100%	7,000,000
21	A portion of a residential development, namely Jinbao Venture Home, located at No. 1 Hechang 5th Road West, Huicheng District, Huizhou, Guangdong Province, The PRC	1,300,000	100%	1,300,000
	Sub-total:	**31,300,000**		**31,300,000**

Group 5 — Property Interests Leased by the Group for Its Own Use in The PRC

No.	Property	Market Value in existing state as at 30 September 2018 RMB	Interest attributable to the Group	Market Value in existing state as at 30 September 2018 attributable to the Group RMB
22	A portion of residential development, namely Kaiyuan City, located at No. 5 Baiyun 2nd Road, Huiyang District, Huizhou, Guangdong Province, The PRC	No Commercial Value	100%	No Commercial Value
23	A portion of a residential development, namely Jiangnan Yudu, located at No. 3 Huize Avenue, Huicheng District, Huizhou, Guangdong Province, The PRC	No Commercial Value	100%	No Commercial Value
24	A portion of a residential development, namely Bixi Qiuyuan, located at Jiahe Road, Wuqing District, Tianjin, The PRC	No Commercial Value	55%	No Commercial Value
25	A portion of a residential development, namely Bixi Qiuyuan, located at Jiahe Road, Wuqing District, Tianjin, The PRC	No Commercial Value	55%	No Commercial Value
26	A portion of a residential development, namely Shanghe Yayuan, located at Quanfa Road, Wuqing District, Tianjin, The PRC	No Commercial Value	55%	No Commercial Value
27	A portion of a residential development, namely Junli Garden, located at Zhuzhuang Jiedao, West of Jingjin Highway, Wuqing District, Tianjin, The PRC	No Commercial Value	55%	No Commercial Value

No.	Property	Market Value in existing state as at 30 September 2018 RMB	Interest attributable to the Group	Market Value in existing state as at 30 September 2018 attributable to the Group RMB
28	A portion of a composite development, located at No. 8 Longhe East Road, Huicheng District, Huizhou, Guangdong Province, The PRC	No Commercial Value	100%	No Commercial Value
29	A portion of a residential development, namely The Palm, located at No. 1 Golf Road, Huiyang District, Huizhou, Guangdong Province, The PRC	No Commercial Value	100%	No Commercial Value
30	A portion of a mixed-use development, namely Million Cities Legend, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	No Commercial Value	54.5%	No Commercial Value
31	A portion of a mixed-use development, namely Million Cities Legend Phase 1, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	No Commercial Value	54.5%	No Commercial Value
	Grand-total:	**5,471,300,000**		**3,214,475,400**

VALUATION CERTIFICATES

Group 1 — Property Interests Held by the Group for Future Development in The PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
1	Phase 2 of a residential Land, namely Dragon Palace, located at the south of Hexing Road, Suiping County, Zhumadian, Henan Province, The PRC	The property is a vacant residential land. As per the Real Estate Title Certificates, the master site of the development for Phases 1–2 has a site area of approximately 221,553.77 square metres. As advised by the instructing party, a portion of the master site of approximately 106,192.39 square metres has been utilized for the development of this phase. The land use rights of the subject site were granted for a term expiring on 12 November 2087 for residential use. (Please refer to Note No. 4 below).	The property is currently vacant.	86,000,000 (Eighty Six Million) 30% interest attributable to the Group: 25,800,000 (Twenty Five Million and Eight Hundred Thousand)

Notes:

1. The property was inspected by Simon Lee *Probationer of MRICS* on 13 June 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to four State-owned Construction Land Grant Contracts, entered into between 遂平縣國土資源局 and 河南聚龍居置業有限公司, the land use rights of the subject site, with a total site area of approximately 221,553.77 square metres were granted to 河南聚龍居置業有限公司 at a total consideration of RMB272,864,000 for residential use.

Details of the State-owned Construction Land Grant Contracts are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
411728–CR–2016–0155–17825	13 November 2017	Residential	70 Years	80,552,000	65,462.65
411728–CR–2016–0155–17826	13 November 2017	Residential	70 Years	84,488,000	68,737.18
411728–CR–2016–0155–17827	13 November 2017	Residential	70 Years	75,168,000	60,973.89
411728–CR–2016–0155–17828	13 November 2017	Residential	70 Years	32,656,000	26,380.05
				272,864,000	221,553.77

4. Pursuant to four Real Estate Title Certificates, issued by 遂平縣國土資源局, the land use rights of the subject site with a total site area of approximately 221,553.77 square metres were granted to 河南聚龍居置業有限公司 for residential use.

Details of the four Real Estate Title Certificates are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
豫(2018)遂平縣不動產權第0000067號	10 January 2018	Residential	12 November 2087	65,462.65
豫(2018)遂平縣不動產權第0000066號	10 January 2018	Residential	12 November 2087	68,737.18
豫(2018)遂平縣不動產權第0000069號	10 January 2018	Residential	12 November 2087	60,973.89
豫(2018)遂平縣不動產權第0000068號	10 January 2018	Residential	12 November 2087	26,380.05
				221,553.77

5. Pursuant to four Construction Land Planning Permits, issued by 遂平縣規劃辦行政服務中心, the land use of the subject site was approved.

Details of the Construction Land Planning Permits are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)
地字第411728201700040302202號	28 November 2017	Residential	65,462.65
地字第411728201700039302202號	28 November 2017	Residential	68,737.18
地字第411728201700038302202號	28 November 2017	Residential	60,973.89
地字第411728201700037302202號	28 November 2017	Residential	26,380.05
			221,553.77

6. The general description and market information of the property are summarized as below:

Location	:	The property is located at the south of Hexing Road, Suiping County, Zhumadian, Henan Province, The PRC.
Transportation	:	Xinzheng International Airport, Suiping Railway Station and Zhumadian West Railway Station are located approximately 180 kilometres, 3.5 kilometres and 19 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

7. We have been provided with a legal opinion regarding the property by AllBright Law Offices, which contains, *inter alia*, the following:

   (a) 河南聚龍居置業有限公司 is the sole legal land use rights holder under the Real Estate Title Certificates of the property;

   (b) 河南聚龍居置業有限公司, in accordance with the uses under the Real Estate Title Certificates and the State-owned Land Grant Contracts, can occupy, use, transfer, lease, mortgage or by other means handle the land use rights of the property within the land use rights term; and

   (c) 怡美(香港)有限公司 owns 100% of shares of 河南聚龍居置業有限公司.

8. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The accommodation value of the land sale comparables are ranging from RMB902 to RMB1,062 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, term and size, etc. The adopted accommodation value of the property is RMB964 per square metre.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
2	Phases 4 and 5 of a residential development, namely Million Cities International, located at Baiyunkeng, Huiyang District, Huizhou, Guangdong Province, The PRC	The property is a vacant residential land. As per the State-owned Land Grant Contract, the master site of the development has a site area of approximately 113,596.00 square metres. As advised by the instructing party, a portion of the master site of approximately 60,977.78 square metres has been utilised for the development of these phases. As advised by the instructing party, the land use rights of the subject site were granted for a term expiring on 10 January 2078 for residential use and 10 January 2048 for commercial use.	The property is currently vacant.	271,000,000 (Two Hundred and Seventy One Million) 100% interest attributable to the Group: 271,000,000 (Two Hundred and Seventy One Million)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Land Grant Contract, entered into between 惠州市國土資源局 and 惠州怡展房地產開發有限公司, the land use rights of the master site, with a site area of approximately 113,596.00 square metres were granted to 惠州怡展房地產開發有限公司 at a consideration of RMB49,755,000 for various terms for residential and commercial uses. Details of the State-owned Land Use Rights Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
441303–2007–002073	27 December 2007	Residential Commercial	70 Years 40 Years	49,755,000	113,596.00

4. Pursuant to four State-owned Land Use Rights Certificates, issued by 惠州市人民政府, the land use rights of the majority portion of the master site with a total site area of approximately 111,549.00 square metres were granted to 惠州怡展房地產開發有限公司.

Details of the State-owned Land Use Rights Certificates are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Site Area (sq.m)
惠陽國用(2008)第0100087號	10 January 2008	Composite Residential	22,324.00
惠陽國用(2008)第0100088號	10 January 2008	Composite Residential	39,290.00
惠陽國用(2008)第0100089號	10 January 2008	Composite Residential	26,650.00
惠陽國用(2008)第0100090號	10 January 2008	Composite Residential	23,285.00
			111,549.00

As advised by the instructing party, a portion of the master site with a site area of approximately 2,047.00 square metres was planned for the use of Public Security Bureau by the authority.

5. Pursuant to a Construction Land Planning Permit, issued by 惠州市規劃建設局, the land use of the master site was approved.

Details of the Construction Land Planning Permit are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)
惠陽規地字(2007)1180	22 August 2007	Residential Commercial	113,549.00

6. The general description and market information of the property are summarized as below:

Location	:	The property is located at Baiyunkeng, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 90 kilometres and 7 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

7. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

(a) 惠州怡展房地產開發有限公司 is the sole legal land use rights holder under the State-owned Land Use Rights Certificates of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

(b) 惠州怡展房地產開發有限公司, in accordance with and subject to the uses under the State-owned Land Use Rights Certificates and the State-owned Land Grant Contract, can occupy, use, transfer, lease, mortgage or by other legal means handle the land use rights of the property within the land use rights term; and

(c) 怡展(香港)有限公司 currently owns 100% of shares of 惠州怡展房地產開發有限公司.

8. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The accommodation value of the land sale comparables are ranging from RMB1,255 to RMB1,977 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, term and size, etc. The adopted accommodation value of the property is RMB1,480 per square metre.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
3	A mixed-use development, namely Million Cities Royal Court, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	The property is a vacant composite land. As advised by the instructing party, the property is developed as Phase 4 and 5 of Million Cities Legend namely Million Cities Royal Court. As per the State-owned Land Use Rights Certificates and the Real Estate Title Certificates, the subject site of the development for Phases 4–5 has a site area of approximately 47,679.00 square metres. The land use rights of the subject site were granted for a term expiring on 10 January 2052 for composite use. (Please refer to Note No. 4 below).	The property is currently vacant.	118,000,000 (One Hundred and Eighteen Million) 54.5% interest attributable to the Group: 64,310,000 (Sixty Four Million Three Hundred and Ten Thousand)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Land Grant Contract, entered into between 惠陽市國土局 and 惠陽市金信建材市場發展有限公司, which was subsequently renamed as 惠州市萬城房地產開發有限公司, the land use rights of a portion of the master site, with a site area of approximately 136,039.00 square metres were granted to 惠陽市金信建材市場發展有限公司 at a consideration of RMB23,776,298 for 50 years for construction material market use.

Details of the State-owned Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
GF–94–1001	11 January 2002	Construction Material Market	50 Years	23,776,298	136,039.00

4. Pursuant to two State-owned Land Use Rights Certificates for the development of these phases, issued by 惠州市人民政府, the land use rights of the subject site with a total site area of approximately 47,679.00 square metres were granted to 惠州市萬城房地產開發有限公司 for composite use.

Details of the State-owned Land Use Rights Certificates are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
惠陽國用(2008)第0100620號	21 April 2008	Composite	10 January 2052	3,219.00
惠陽國用(2008)第0100621號	21 April 2008	Composite	10 January 2052	44,460.00
				47,679.00

5. Pursuant to two Construction Land Planning Permits for the development of these phases, issued by 惠州市規劃建設局, the land use of the subject site was approved.

Details of the Construction Land Planning Permits are listed as follows:

Permit No.	Date	Use	Site Area (sq.m)
地字第441303200810206號	10 June 2008	Composite for Construction Material Market	3,219.00
地字第441303200810207號	10 June 2008	Composite for Construction Material Market	44,460.00
			47,679.00

As confirmed by the instructing party, the land use of the subject site will be amended before development and no further Construction Land Planning Permit for other uses has been granted up to date of this report.

6. The general description and market information of the property are summarized as below:

Location	:	The property is located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 85 kilometres and 8 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

7. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) 惠州萬城房地產開發有限公司 is the sole legal land use rights holder under the State-owned Land Use Rights Certificates of the property;

   (b) 惠州萬城房地產開發有限公司, in accordance with and subject to the uses under the State-owned Land Use Rights Certificates, the mortgage agreement and the State-owned Land Grant Contract, can occupy, use, and profit from the land use rights of the property within the land use rights term;

   (c) the land use rights of the land, known as 惠陽國用(2008)第0100620號 and 惠陽國用(2008)第0100621號 has been mortgaged to 恒生銀行(中國)有限公司惠州支行;

   (d) in respect of the property subject to mortgage, the transfer of the property or any act of disposition against the property, including but not limited to setting up other guarantees, will be restricted by the mortgage agreement before the mortgage is removed; and

   (e) 惠州萬城企業管理策劃有限公司, 惠州怡展房地產開發有限公司, 劉偉韜, 林國賢 and 王小霞 currently owns 43.38%, 6.12%, 24.5%, 5% and 21% of shares of 惠州市萬城房地產開發有限公司 respectively.

8. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The accommodation value of the land sale comparables are ranging from RMB1,255 to RMB1,977 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, term and size, etc. The adopted accommodation value of the property is RMB1,030 per square metre.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
4	A commercial land, namely Million Cities Tonghu Centre, located at Tonghu Ecological Intelligent Zone, Huicheng District, Huizhou, Guangdong Province, The PRC	The property is a vacant commercial land. As per the Real Estate Title Certificates, the master site of the development for Million Cities Tonghu Centre and Dragon Terrace, has a site area of approximately 150,487.00 square metres. A portion of the master site of approximately 55,596.00 square metres has been utilised for the development of this project. The land use rights of the subject site were granted for a term expiring on 8 June 2057 for commercial use. (Please refer to Note No. 4 below).	The property is currently vacant.	460,000,000 (Four Hundred and Sixty Million) 50% interest attributable to the Group: 230,000,000 (Two Hundred and Thirty Million)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Construction Land Grant Contract, entered into between 惠州市國土資源局 and 惠州惠港置業有限公司, the land use rights of the master site, with a site area of approximately 150,487.00 square metres were granted to 惠州惠港置業有限公司 at a consideration of RMB832,190,000 for various terms for residential and commercial uses.

Details of the State-owned Construction Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
441305–Z–(2017) –10號	8 March 2017	Residential Commercial	70 Years 40 Years	832,190,000	150,487.00

4. Pursuant to a Real Estate Title Certificate, issued by 惠州市國土資源局, the land use rights of a portion of the master site with a site area of approximately 55,596.00 square metres for the development of this project were granted to 惠州惠港置業有限公司 for commercial use.

Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
粵(2017)惠州市不動產權第5017614號	11 September 2017	Commercial	8 June 2057	55,596.00

5. Pursuant to a Construction Land Planning Permit for the development of this project, issued by 惠州市住房和城鄉規劃建設局, the land use of a portion of the master site was approved.

Details of the Construction Land Planning Permit are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)	Proposed Gross Floor Area (sq.m)
地字第441302(2017)60121號	26 September 2017	Commercial	55,596.00	300,000.00

6. The general description and market information of the property are summarized as below:

Location	:	The property is located at Tonghu Ecological Intelligent Zone, Huicheng District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 95 kilometres and 40 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately commercial area.

7. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) 惠州惠港置業有限公司 is the sole legal land use rights holder under the Real Estate Title Certificate of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

   (b) 惠州惠港置業有限公司, in accordance with and subject to the uses under the Real Estate Title Certificate, the mortgage agreement and the State-owned Construction Land Grant Contract, can occupy, use and profit from the land use rights of the property within the land use rights term;

   (c) the land use rights of the land, known as 粵(2017)惠州市不動產權第5017614號 has been mortgaged to 中國民生銀行股份有限公司深圳分行;

   (d) in respect of the property subject to mortgage, the transfer of the property or other act of disposition against the property, including but not limited to sale, rent, remortgage, will be restricted by the mortgage agreement before the mortgage is removed; and

   (e) 惠港(香港)有限公司 currently owns 100% of shares of 惠州惠港置業有限公司.

8. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The accommodation value of the land sale comparables are ranging from RMB1,151 to RMB2,204 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, term and size, etc. The adopted accommodation value of the property is RMB1,539 per square metre.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
5	Phase 2 of a residential land, namely Dragon Terrace, located at Tonghu Ecological Intelligent Zone, Huicheng District, Huizhou, Guangdong Province, The PRC	The property is a vacant composite land. As per the Real Estate Title Certificates, the master site of the development for Million Cities Tonghu Centre and Dragon Terrace, has a site area of approximately 150,487.00 square metres. A portion of the master site of approximately 94,891.00 square metres has been utilised for the development of Phases 1 and 2 of Dragon Terrace. As advised by the instructing party, the site area breakdown is listed as below: Phase 1 52,325.00 sq.m Phase 2 42,566.00 sq.m The land use rights of this portion of the master site were granted for a term expiring on 8 June 2087 for residential use and 8 June 2057 for commercial use. (Please refer to Note No. 4 below).	The property is currently vacant.	343,000,000 (Three Hundred and Forty Three Million) 50% interest attributable to the Group: 171,500,000 (One Hundred Seventy One Million and Five Hundred Thousand)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Construction Land Grant Contract, entered into between 惠州市國土資源局 and 惠州惠港置業有限公司, the land use rights of the master site, with a site area of approximately 150,487.00 square metres were granted to 惠州惠港置業有限公司 at a consideration of RMB832,190,000 for various terms for residential and commercial uses.

   Details of the State-owned Construction Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
441305–Z–(2017)–10號	8 March 2017	Residential Commercial	70 Years 40 Years	832,190,000	150,487.00

4. Pursuant to a Real Estate Title Certificate, issued by 惠州市國土資源局, the land use rights of a portion of master site with a site area of approximately 94,891.00 square metres for the development of Phases 1 and 2 of Dragon Terrace were granted to 惠州惠港置業有限公司 for various terms for residential and commercial uses.

   Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
粵(2017)惠州市不動產權第5017714號	22 September 2017	Residential Commercial	8 June 2087 8 June 2057	94,891.00

5. Pursuant to a Construction Land Planning Permit for the development of Phases 1 and 2, issued by 惠州市住房和城鄉規劃建設局, the land use of a portion of the master site was approved.

   Details of the Construction Land Planning Permit are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)	Proposed Gross Floor Area (sq.m)
地字第441302(2017)60122號	26 September 2017	Residential Commercial	94,891.00	300,000.00

6. Pursuant to seven Construction Works Planning Permits, issued by 惠州市惠陽區住房和城鄉規劃建設局, the development of the subject site of this phase of project was approved.

   Details of the Construction Works Planning Permit are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
建字第441302 (2018) 60354號	12 September 2018	Phase 2 — Basement	Carpark	38,196.38
建字第441302 (2018) 60355號	12 September 2018	12#	Residential, Commercial	11,278.05
建字第441302 (2018) 60356號	12 September 2018	13#	Residential, Commercial	11,199.68
建字第441302 (2018) 60357號	12 September 2018	14#	Residential, Commercial, Wet Market	11,300.81
建字第441302 (2018) 60358號	12 September 2018	15#	Residential	11,104.22
建字第441302 (2018) 60359號	12 September 2018	16#	Residential, Commercial	11,387.69
建字第441302 (2018) 60360號	12 September 2018	17#	Residential, Commercial	11,166.78
				105,633.61

7. The general description and market information of the property are summarized as below:

Location	:	The property is located at Tonghu Ecological Intelligent Zone, Huicheng District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 95 kilometres and 40 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately commercial area.

8. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) 惠州惠港置業有限公司 is the sole legal land use rights holder under the Real Estate Title Certificate of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

   (b) 惠州惠港置業有限公司, in accordance with and subject to the uses under the Real Estate Title Certificate, the mortgage agreement and the State-owned Construction Land Grant Contract, can occupy, use and profit from the land use rights of the property within the land use rights term;

   (c) the land use rights of the land, known as 粵(2017)惠州市不動產權第5017714號 has been mortgaged to 中國民生銀行股份有限公司深圳分行 as at 30 September 2018;

(d) in respect of the property subject to mortgage, the transfer of the property or other act of disposition against the property, including but not limited to sale, rent, remortgage, is restricted by the mortgage agreement. However, the mortgage has been removed on 6 November 2018 which the aforesaid restriction on alienation of the property is released up to the date of this report; and

(e) 惠港(香港)有限公司 currently owns 100% of shares of 惠州惠港置業有限公司.

9. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The accommodation value of the land sale comparables are ranging from RMB1,325 to RMB3,133 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, term and size, etc. The adopted accommodation value of the property is RMB1,959 per square metre.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
6	A residential land located at Lianhe Village, Shuikou Town, Huicheng District, Huizhou, Guangdong Province, The PRC	The property is a vacant residential land. As per the State-owned Land Use Rights Certificate, the subject site of the development has a site area of approximately 33,125.80 square metres. The land use rights of the subject site were granted for a term expiring on 27 August 2072 for residential use. (Please refer to Note No. 4 below).	The property is currently vacant.	No Commercial Value 100% interest attributable to the Group: No Commercial Value

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Land Use Rights Certificate, issued by 惠州市人民政府, the land use rights of the subject site with a site area of approximately 33,125.80 square metres were granted to 惠州漢基房地產開發有限公司 for residential use. Details of the State-owned Land Use Rights Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
惠府國用(2004)第13021700222號	17 June 2004	Residential	27 August 2072	33,125.80

4. As advised by the Group, the property is yet be granted with a proper land use rights. In the course of our valuation, we have attributed no commercial value to the property. The reference value of the property, assuming that it has been granted with a proper title certificate and it can be freely transferred, as at the Valuation Date is circa RMB58,000,000.

5. The general description and market information of the property are summarized as below:

Location	:	The property is located at Lianhe Village, Shuikou Town, Huicheng District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 25 kilometres, 116 kilometres and 46 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

6. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) As 惠州漢基房地產開發有限公司 had not commenced development for such piece of land for more than two years from the commencement date for the development as it is supposed to do, according to the Measures on Disposal of Idle Land (閒置土地處置辦法), the right to use such land may be forfeited without any compensation, except when delays are caused by force majeure, acts of government, or the necessary preparatory work for commencing the development.

7. To the best of the Directors' knowledge and belief, such land parcel has not been subject to any investigations or penalty actions. A written confirmation had also been obtained from the local department of the Ministry of Land and Resources of the PRC, which has jurisdiction over Huizhou China Field, that Huizhou China Field has not been imposed with any penalty relating to the idle land and any violation of the PRC laws and regulations relating to land use during the three years ended 31 December 2017 and up to 1 June 2018.

8. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The accommodation value of the land sale comparables are ranging from RMB707 to RMB943 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, term and size, etc. The adopted accommodation value of the property is RMB700 per square metre.

Group 2 — Property Interests Held by the Group for Development in The PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
7	Phase 3 of a residential development, namely Million Cities Tycoon Place, located at No. 123 Jiahe Road, Wuqing District, Tianjin, The PRC	The property is a currently residential land under construction. As per the Real Estate Title Certificate, the master site of the development for Phases 1–4 has a site area of approximately 159,882.10 square metres. As advised by the instructing party, a portion of the master site of approximately 46,461.96 square metres has been utilised for the development of this phase. The land use rights of the master site were granted for a term expiring on 29 October 2082 for residential use and on 29 October 2052 for commercial use. (Please refer to Note No. 4 below).	The property is currently under construction.	278,000,000 (Two Hundred and Seventy Eight Million) 55% interest attributable to the Group: 152,900,000 (One Hundred and Fifty Two Million and Nine Hundred Thousand)

Notes:

1. The property was inspected by Simon Lee *Probationer of MRICS* on 17 April 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a Tianjin State-owned Construction Land Grant Contract, entered into between天津市國土資源和房屋管理局武清區國土資源分局 and 萬城建基置業(天津)有限公司, the land use rights of the master site, with a site area of approximately 159,882.10 square metres were granted to 萬城建基置業(天津)有限公司 at a consideration of RMB239,900,000 for residential use.

Details of the Tianjin State-owned Construction Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
TJ11182012045	2 August 2012	Residential	70 Years	239,900,000	159,882.10

4. Pursuant to a Real Estate Title Certificate, issued by 天津市人民政府 and 天津市國土資源和房屋管理局, the land use rights of the master site with a site area of approximately 159,882.10 square metres were granted to 萬城建基置業(天津)有限公司 for various terms for residential and commercial uses.

Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
房地證津字第122051500530號	25 August 2015	Residential Commercial	29 October 2082 29 October 2052	159,882.10

5. Pursuant to a Construction Land Planning Permit, issued by 天津市武清區規劃局, the land use of the master site was approved.

Details of the Construction Land Planning Permit are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)
2012武清地證0213	25 October 2012	Residential	159,882.10

6. Pursuant to a Construction Works Planning Permit, issued by 天津市武清區行政審批局, the development of the subject site of this phase of project was approved.

Details of the Construction Works Planning Permit are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
2018武清住證0096	20 September 2018	35#–63#, 66#, Ancillary Facilities 5# and Basement 1–4#	Residential	91,344.55

7. Pursuant to a Construction Works Commencement Permit for the development of this phase, issued by 天津市武清區行政審批局, the commencement of the construction of the property was approved.

Details of the Construction Works Commencement Permit are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
1201142018092903121	35–63#, 66#, Ancillary Facilities 5# and Basement 1–4#	29 September 2018	91,344.55

8. The general description and market information of the property are summarized as below:

Location	:	The property is located at No. 123 Jiahe Road, Wuqing District, Tianjin, The PRC.
Transportation	:	Tianjin Binhai International Airport, Tianjin South Railway Station and Tianjin Railway Station are located approximately 40 kilometres, 40 kilometres and 30 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

9. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

(a) 萬城建基置業(天津)有限公司 is the sole legal land use rights holder under the Real Estate Title Certificate of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

(b) 萬城建基置業(天津)有限公司, in accordance with and subject to the uses under the Real Estate Title Certificate, the mortgage agreement and the State-owned Construction Land Grant Contract, can occupy, use, transfer, lease, mortgage and profit from the land use rights of the property within the land use rights term; and

(c) 津港(香港)有限公司 currently owns 100% of shares of 萬城建基置業(天津)有限公司.

10. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The accommodation value of the land sale comparables are ranging from RMB8,186 to RMB9,606 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, term and size, etc. The adopted accommodation value of the property is RMB4,847 per square metre.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
8	Phase 4 of a residential development, namely Million Cities Tycoon Place, located at No. 123 Jiahe Road, Wuqing District, Tianjin, The PRC	The property under construction comprises residential units, shops and carparking spaces with a total gross floor area of approximately 74,222.93 square metres. The area breakdown is listed as below: Residential Units 49,042.87 sq.m Shop 577.87 sq.m Underground Carparking spaces 24,602.19 sq.m As per the Real Estate Title Certificate, the master site of the development for Phases 1–4 has a site area of approximately 159,882.10 square metres. As advised by the instructing party, a portion of master site of approximately 28,611.84 square metres has been utilised for the development of this phase. The land use rights of the master site were granted for a term expiring on 29 October 2082 for residential use and on 29 October 2052 for commercial use. (Please refer to Note No. 4 below).	The property is currently under construction and is planned to be completed in December 2021.	208,000,000 (Two Hundred and Eight Million) 55% interest attributable to the Group: 114,400,000 (One Hundred Fourteen Million and Four Hundred Thousand)

Notes:

1. The property was inspected by Simon Lee *Probationer of MRICS* on 17 April 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a Tianjin State-owned Construction Land Grant Contract, entered into between 天津市國土資源和房屋管理局武清區國土資源分局 and 萬城建基置業(天津)有限公司, the land use rights of the master site, with a site area of approximately 159,882.10 square metres were granted to 萬城建基置業(天津)有限公司 at a consideration of RMB239,900,000 for residential use.

Details of the Tianjin State-owned Construction Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
TJ11182012045	2 August 2012	Residential	70 Years	239,900,000	159,882.10

4. Pursuant to a Real Estate Title Certificate, issued by 天津市人民政府 and 天津市國土資源和房屋管理局, the land use rights of the master site with a site area of approximately 159,882.10 square metres were granted to 萬城建基置業(天津)有限公司 for various terms for residential and commercial uses.

Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
房地證津字第122051500530號	25 August 2015	Residential Commercial	29 October 2082 29 October 2052	159,882.10

5. Pursuant to a Construction Land Planning Permit, issued by 天津市武清區規劃局, the land use of the master site was approved.

Details of the Construction Land Planning Permit are listed as follows:

Permit No.	Date	Use	Site Area (sq.m)
2012武清地證0213	25 October 2012	Residential	159,882.10

6. Pursuant to a Construction Works Planning Permit for the development of this phase, issued by 天津市武清區行政審批局, the development of the subject site was approved.

Details of the Construction Works Planning Permit are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
2018武清住證0010	16 April 2018	28#–34#, Ancillary Facility, Basement	Residential	72,750.61

7. Pursuant to a Construction Works Commencement Permit for the development of this phase, issued by 天津市武清區行政審批局, the commencement of the construction of the property was approved. Details of the Construction Works Commencement Permit are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
1201142018041701121	28#–34#, Ancillary Facility, Basement	17 April 2018	72,750.61

8. Pursuant to a Pre-sale Permit, issued by 天津市國土資源和房屋管理局, the pre-sale of a portion of property was permitted.

Details of the Pre-sale Permit are listed as follows:

Permit No.	Date of Issue	Portion	Development	Gross Floor Area (sq.m)
津國土房售許字(2018)第0853–001–003號	14 September 2018	28#–30#	Residential & Commercial	24,550.10

9. The gross development value of the property by assuming that it had been completed as at the Valuation Date was circa RMB719,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date was circa RMB269,000,000 and RMB110,000,000.

10. The general description and market information of the property are summarized as below:

Location	:	The property is located at No. 123 Jiahe Road, Wuqing District, Tianjin, The PRC.
Transportation	:	Tianjin Binhai International Airport, Tianjin South Railway Station and Tianjin Railway Station are located approximately 40 kilometres, 40 kilometres and 30 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

11. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

(a) 萬城建基置業(天津)有限公司 is the sole legal land use rights holder under the Real Estate Title Certificate of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

(b) 萬城建基置業(天津)有限公司, in accordance with and subject to the uses under the Real Estate Title Certificate, the mortgage agreement and the State-owned Construction Land Grant Contract, can occupy, use, transfer, lease, mortgage and profit from the land use rights of the property within the land use rights term; and

(c) 津港(香港)有限公司 currently owns 100% of shares of 萬城建基置業(天津)有限公司.

12. In the course of our valuation of the property, we have considered and analysed the residential, retail and carparking sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the residential sale comparables are ranging from RMB13,683 to RMB19,300 per square metre. The unit rates of the retail sale comparables are ranging from RMB13,143 to RMB20,000 per square metre. The unit rates of the underground carparking sale comparables are ranging from RMB80,000 to RMB140,000 per space. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates for the residential, retail and underground carparking portions of the property are RMB14,000, RMB16,500 per square metre and RMB118,000 per space respectively.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
9	Phase 3 of a mixed-use development, namely Million Cities Legend, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	The property is a mixed-use land currently under construction. As per the State-owned Land Use Rights Certificates and the Real Estate Title Certificates, the master site of the development for Phases 1–3 has a site area of approximately 89,899.00 square metres. As advised by the instructing party, a portion of the master site of approximately 22,899.45 square metres has been utilised for the development of this phase. The land use rights of the subject site were granted for various term for residential and commercial uses. (Please refer to Note Nos. 4, 5 and 6 below).	The property is currently under construction.	122,000,000 (One Hundred and Twenty Two Million) 54.5% interest attributable to the Group: 66,490,000 (Sixty Six Million Four Hundred and Ninety Thousand)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Land Grant Contract, entered into between 惠陽市國土局 and 惠陽市金信建材市場發展有限公司, which was subsequently renamed as 惠州市萬城房地產開發有限公司, the land use rights of a portion of the master site for the development, with a site area of approximately 136,039.00 square metres were granted to 惠陽市金信建材市場發展有限公司 at a consideration of RMB23,776,298 for 50 years for construction material market use. Details of the State-owned Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
GF–94–1001	11 January 2002	Construction Material Market	50 Years	23,776,298	136,039.00

4. Pursuant to a State-owned Construction Land Grant Contract, entered into between 惠州市國土資源局 and 惠州市萬城房地產開發有限公司, the land use rights of a portion of the master site for the development, with a site area of approximately 6,939.00 square metres were granted to 惠州市萬城房地產開發有限公司 at a consideration of RMB16,810,000 for various terms for residential and commercial uses.

   Details of the State-owned Land Use Rights Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
441303–2016–000158	30 August 2016	Residential Commercial	70 Years 40 Years	16,810,000.00	6,939.00

5. As advised by the instructing party, the usage of a portion of the master site was modified subject to payment of premium. Pursuant to two State-owned Construction Land Grant Contracts, entered into between 惠州市國土資源局 and 惠州市萬城房地產開發有限公司, the land use rights of a portion of the master site for the development of Phases 1–3, with a site area of approximately 82,960.00 square metres were granted to 惠州市萬城房地產開發有限公司 at a consideration of RMB18,764,929.00 for various terms for residential and commercial uses.

   Details of the State-owned Construction Land Rights Grant Contracts are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Expiry Date	Consideration (RMB)	Site Area (sq.m)
441303–2011–000378	12 December 2011	Residential Commercial	31 August 2081 31 August 2051	9,933,921.79	43,918.00
441303–2011–000379	12 December 2011	Residential Commercial	31 May 2081 31 May 2051	8,831,007.21	39,042.00
				18,764,929.00	82,960.00

6. Pursuant to two State-owned Land Use Rights Certificates, issued by 惠州市人民政府, the land use rights of a portion of the master site for the development of Phases 1–3 with a total site area of approximately 82,960.00 square metres were granted to 惠州市萬城房地產開發有限公司 for various terms for residential and commercial uses.

Details of the Land Use Rights Certificates are listed as follows:

Certificate No.	Date	Use	Land Use Rights Expiry Date	Site Area (sq.m)
惠陽國用(2012)第0101548號	26 June 2012	Residential Commercial	31 August 2081 31 August 2051	43,918.00
惠陽國用(2012)第0101547號	26 June 2012	Residential Commercial	31 May 2081 31 May 2051	39,042.00
				82,960.00

7. Pursuant to a Real Estate Title Certificate, issued by 惠州市國土資源局, the land use rights of a portion of the master site for the development of Phases 1–3 with a site area of approximately 6,939.00 square metres were granted to 惠州市萬城房地產開發有限公司 for various terms for residential and commercial uses.

Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date	Use	Land Use Rights Expiry Date	Site Area (sq.m)
粵(2016)惠州市不動產權第3001313號	14 September 2016	Residential Commercial	20 August 2086 20 August 2056	6,939.00

8. Pursuant to the 《建設用地規劃條件》(惠陽規建條[2017]212號與惠陽規建條[2017]213號), issued by 惠州市惠陽區住房和城鄉規劃建設局, the land use rights of the abovementioned sites, which consist of three plots of land with a site area of approximately 89,899.00 square metres, have been consolidated, and new Real Estate Title Certificate will be issued accordingly. Pursuant to a Real Estate Title Certificate, issued by 惠州市國土資源局, the land use rights of a portion of the master site with a site area of approximately 55,983.45 square metres were regranted to 惠州市萬城房地產開發有限公司 for various terms for residential and commercial uses.

Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date	Use	Land Use Rights Expiry Date	Site Area (sq.m)
粵(2018)惠州市不動產權第3008805號	7 February 2018	Residential Commercial	6 June 2087 6 June 2057	55,983.45

As advised by the instructing party, the remaining portion of the abovementioned three plots of land with a site area of approximately 33,915.55 square metres would not be regranted for a new Real Estate Title Certificate due to the title registration by individual purchasers.

9. Pursuant to three Construction Land Planning Permits for the development of Phases 1–3, issued by 惠州市惠陽區住房和城鄉規劃建設局, the land use of the master site was approved.

Details of the Construction Land Planning Permits are listed as follows:

Permit No.	**Date**	**Use**	**Site Area (sq.m)**
地字第441303201310278	30 July 2013	Residential	43,918.00
地字第441303201310279	30 July 2013	Residential	39,042.00
地字第441303201610306	12 October 2016	Residential	6,939.00
			89,899.00

10. Pursuant to four Construction Works Planning Permit, issued by 惠州市惠陽區住房和城鄉規劃建設局, the development of the subject site of this phase of project was approved.

Details of the Construction Works Planning Permit are listed as follows:

Permit No.	**Date of Issue**	**Portion**	**Development**	**Proposed Gross Floor Area (sq.m)**
建字第441303201810194號	12 February 2018	Phase 3 — 16#	Residential, Commercial	25,336
建字第441303201810193號	12 February 2018	Phase 3 — 17#	Residential, Commercial	25,473
建字第441303201810192號	12 February 2018	Phase 3 — 18#	Residential, Commercial	25,265
建字第441303201810191號	12 February 2018	Phase 3 — Basement	Basement	36,066
				112,140

11. Pursuant to a Construction Works Commencement Permit for the development of this phase, issued by 惠州市惠陽區住房和城鄉規劃建設局, the commencement of the construction of the property was approved.

Details of the Construction Works Commencement Permit are listed as follows:

Permit No.	**Portion**	**Date of Issue**	**Proposed Gross Floor Area (sq.m)**
441303201804110301	Phase 3 — 16#, 17#, 18# & Basement	11 April 2018	112,140.00

12. The general description and market information of the property are summarized as below:

Location	:	The property is located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 85 kilometres and 8 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

13. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

(a) 惠州萬城房地產開發有限公司 is the sole legal land use rights holder under the State-owned Land Use Rights Certificates and the Real Estate Title Certificates of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

(b) 惠州萬城房地產開發有限公司, in accordance with and subject to the uses under the State-owned Land Use Rights Certificates, the Real Estate Title Certificates and the State-owned Land Grant Contracts, can occupy, use, transfer, lease, mortgage or by other legal means handle the land use rights of the property within the land use rights term; and

(c) 惠州萬城企業管理策劃有限公司, 惠州怡展房地產開發有限公司, 劉偉韜, 林國賢 and 王小霞 currently owns 43.38%, 6.12%, 24.5%, 5% and 21% of shares of 惠州市萬城房地產開發有限公司 respectively.

14. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The accommodation value of the land sale comparables are ranging from RMB1,255 to RMB1,977 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, term and size, etc. The adopted accommodation value of the property is RMB1,610 per square metre.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
10	Phase 2 of a mixed-use development, namely Million Cities Legend, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	The property under construction comprises residential units, shops, carparking spaces and kindergarten with a total gross floor area of approximately 147,650.00 square metres. The area breakdown is listed as below: Residential Units 114,504.00 sq.m Shops 1,586.00 sq.m Underground Carparking spaces 28,385.00 sq.m Kindergarten 3,175.00 sq.m As per the State-owned Land Use Rights Certificates and the Real Estate Title Certificates, the master site of the development for Phases 1–3 has a site area of approximately 89,899.00 square metres. As advised by the instructing party, a portion of the master site of approximately 33,084.00 square metres has been utilised for the development of this phase. The land use rights of the subject site were granted for various term for residential and commercial uses. (Please refer to Note Nos. 4, 5 and 6 below).	The property is currently under construction and is planned to be completed in December 2018.	976,000,000 (Nine Hundred Seventy Six Million) 54.5% interest attributable to the Group: 531,920,000 (Five Hundred and Thirty One Million Nine Hundred and Twenty Thousand)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Land Grant Contract, entered into between 惠陽市國土局 and 惠陽市金信建材市場發展有限公司, which was subsequently renamed as 惠州市萬城房地產開發有限公司, the land use rights of a portion of the master site for the development, with a site area of approximately 136,039.00 square metres were granted to 惠陽市金信建材市場發展有限公司 at a consideration of RMB23,776,298 for 50 years for construction material market use. Details of the State-owned Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
GF–94–1001	11 January 2002	Construction Material Market	50 Years	23,776,298	136,039.00

4. Pursuant to a State-owned Construction Land Grant Contract, entered into between 惠州市國土資源局 and 惠州市萬城房地產開發有限公司, the land use rights of a portion of the master site for the development, with a site area of approximately 6,939.00 square metres were granted to 惠州市萬城房地產開發有限公司 at a consideration of RMB16,810,000 for various terms for residential and commercial uses.

Details of the State-owned Land Use Rights Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
441303–2016–000158	30 August 2016	Residential Commercial	70 Years 40 Years	16,810,000.00	6,939.00

5. As advised by the instructing party, the usage of a portion of the master site was modified subject to payment of premium. Pursuant to two State-owned Construction Land Grant Contracts, entered into between 惠州市國土資源局 and 惠州市萬城房地產開發有限公司, the land use rights of a portion of the master site for the development of Phases 1–3, with a total site area of approximately 82,960.00 square metres were granted to 惠州市萬城房地產開發有限公司 at a total consideration of RMB18,764,929 for various terms for residential and commercial uses.

Details of the State-owned Construction Land Grant Contracts are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
441303–2011–000378	12 December 2011	Residential Commercial	31 August 2081 31 August 2051	9,933,921.79	43,918.00
441303–2011–000379	12 December 2011	Residential Commercial	31 May 2081 31 May 2051	8,831,007.21	39,042.00
				18,764,929.00	82,960.00

6. Pursuant to two State-owned Land Use Rights Certificates, issued by 惠州市人民政府, the land use rights of a portion of the master site for the development of Phases 1–3 with a total site area of approximately 82,960.00 square metres were granted to 惠州市萬城房地產開發有限公司 for various terms for residential and commercial uses.

Details of the Land Use Rights Certificates are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
惠陽國用(2012)第0101548號	26 June 2012	Residential	31 August 2081	43,918.00
		Commercial	31 August 2051	
惠陽國用(2012)第0101547號	26 June 2012	Residential	31 May 2081	39,042.00
		Commercial	31 May 2051	
				82,960.00

7. Pursuant to a Real Estate Title Certificate, issued by 惠州市國土資源局, the land use rights of a portion of the master site for the development of Phases 1–3 with a site area of approximately 6,939.00 square metres were granted to 惠州市萬城房地產開發有限公司 for various terms for residential and commercial uses.

Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
粵(2016)惠州市不動產權第3001313號	14 September 2016	Residential	20 August 2086	6,939.00
		Commercial	20 August 2056	

8. Pursuant to the 《建設用地規劃條件》(惠陽規建條[2017]212號與惠陽規建條[2017]213號), issued by 惠陽區住房和城鄉規劃建設局, the land use rights of the abovementioned sites, which consist of three plots of land with a site area of approximately 89,899.00 square metres, have been consolidated, and new Real Estate Title Certificate will be issued accordingly. Pursuant to a Real Estate Title Certificate, issued by 惠州市國土資源局, the land use rights of a portion of the master site with a site area of approximately 55,983.45 square metres were regranted to 惠州市萬城房地產開發有限公司 for various terms for residential and commercial uses.

Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
粵(2018)惠州市不動產權第3008805號	7 February 2018	Residential	6 June 2087	55,983.45
		Commercial	6 June 2057	

As advised by the instructing party, the remaining portion of the abovementioned three plots of land with a site area of approximately 33,915.55 square metres would not be regranted for a new Real Estate Title Certificate due to the title registration by individual purchasers.

9. Pursuant to three Construction Land Planning Permits for the development of Phases 1–3, issued by 惠州市惠陽區住房和城鄉規劃建設局, the land use of the master site was approved.

Details of the Construction Land Planning Permits are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)
地字第441303201310278	30 July 2013	Residential	43,918.00
地字第441303201310279	30 July 2013	Residential	39,042.00
地字第441303201610306	12 October 2016	Residential	6,939.00
			89,899.00

10. Pursuant to eight Construction Works Planning Permits, issued by 惠州市惠陽區住房和城鄉規劃建設局, the development of the subject site of this phase of project was approved.

Details of the Construction Works Planning Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
建字第441303201610570號	7 November 2016	Phase 2 — Basement	Basement	39,400.00
建字第441303201610573號	7 November 2016	Phase 2 — 12#	Residential Commercial	24,275.00
建字第441303201610572號	7 November 2016	Phase 2 — 11#	Residential	21,000.00
建字第441303201610571號	7 November 2016	Phase 2 — 10#	Residential Ancillary Facility	20,850.00
建字第441303201610577號	7 November 2016	Phase 2 — Kindergarten	Kindergarten	3,175.00
建字第441303201610576號	7 November 2016	Phase 2 — 15#	Residential Commercial	20,370.00
建字第441303201610575號	7 November 2016	Phase 2 — 14#	Residential	21,000.00
建字第441303201610574號	7 November 2016	Phase 2 — 13#	Residential Commercial	12,245.00
				162,315.00

11. Pursuant to a Construction Works Commencement Permit, issued by 惠州市惠陽區住房和城鄉規劃建設局, the commencement of the construction of the subject site of this phase of project was approved.

Details of the Construction Works Commencement Permit are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
441303201701230101	Phase 2 — 10#–15#, Kindergarten, Basement	23 January 2017	162,315.00

12. Pursuant to two Pre-sale Permits, issued by 惠州市惠陽區房產管理局, the pre-sale of a portion of the subject development was permitted.

Details of the Pre-sale Permit are listed as follows:

Permit No.	Date of Issue	Portion	Development	Gross Floor Area (sq.m)
惠陽房預許字(2018)第014號	19 January 2018	Phase 2 — 10#–13#, 15#	Residential	94,003.53
惠陽房預許字(2018)第079號	9 August 2018	Phase 2 — 14#	Residential	20,500.78
				114,504.31

13. The gross development value of the property by assuming that it had been completed as at the Valuation Date was circa RMB1,781,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date was circa RMB416,000,000 and RMB492,000,000.

14. The general description and market information of the property are summarized as below:

Location	:	The property is located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 85 kilometres and 8 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

15. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

(a) 惠州萬城房地產開發有限公司 is the sole legal land use rights holder under the State-owned Land Use Rights Certificates and the Real Estate Title Certificates of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

(b) 惠州萬城房地產開發有限公司, in accordance with and subject to the uses under the State-owned Land Use Rights Certificates, the Real Estate Title Certificates and the State-owned Land Grant Contracts, can occupy, use, transfer, lease, mortgage or by other legal means handle the land use rights of the property within the land use rights term; and

(c) 惠州萬城企業管理策劃有限公司, 惠州怡展房地產開發有限公司, 劉偉韜, 林國賢 and 王小霞 currently owns 43.38%, 6.12%, 24.5%, 5% and 21% of shares of 惠州市萬城房地產開發有限公司 respectively.

16. In the course of our valuation of the property, we have considered and analysed the residential, retail, kindergarten and carparking sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the residential sale comparables are ranging from RMB13,640 to RMB15,500 per square metre. The unit rates of the retail sale comparables are ranging from RMB12,258 to RMB19,077 per square metre. The unit rates of kindergarten sale comparables are ranging from RMB2,714 to RMB3,122 per square metre. The unit rates of the underground carparking sale comparables are ranging from RMB80,000 to RMB150,000 per space. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates for the residential, retail, kindergarten and underground carparking portions of the property are RMB14,500, RMB15,800 per square metre, RMB3,160 per square metre and RMB113,000 per space respectively.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
11	A residential development, namely Crown Grand Court, located at the south of Jichang Road, Huicheng District, Huizhou, Guangdong Province, The PRC	The property under construction comprises residential units, shops and carparking spaces with a total gross floor area of approximately 70,192.30 square metres. The area breakdown is listed as below: High-rise Residential Units 31,482.06 sq.m Villas 12,253.92 sq.m Shops 5,068.02 sq.m Underground Carparking spaces 21,388.30 sq.m As per the State-owned Land Use Rights Certificate, the subject site of the development has a site area of approximately 43,928.80 square metres. The land use rights of the subject site were granted for various term for residential and commercial uses. (Please refer to Note No. 4 below).	The property is currently under construction and is planned to be completed in February 2019.	444,000,000 (Four Hundred and Forty Four Million) 100% interest attributable to the Group: 444,000,000 (Four Hundred and Forty Four Million)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Construction Land Grant Contract, entered into between 惠州市國土資源局 and 惠州漢基房地產開發有限公司, the land use rights of the subject site, with a site area of approximately 43,928.80 square metres were granted to 惠州漢基房地產開發有限公司 at a consideration of RMB69,200,000 for various terms for residential and commercial uses. Details of the State-owned Construction Land Grant Contract are listed as follows:

Contract No.	**Date of Issue**	**Permitted Use**	**Land Use Rights Term**	**Consideration (RMB)**	**Site Area (sq.m)**
441301–2012–000035	13 November 2012	Residential Commercial	70 Years 40 Years	69,200,000	43,928.80

4. Pursuant to the State-owned Land Use Rights Certificate, issued by 惠州市人民政府, the land use rights of the subject site with a site area of approximately 43,928.80 square metres were granted to 惠州漢基房地產開發有限公司 for various terms for residential and commercial uses.

Details of the State-owned Land Use Rights Certificate are listed as follows:

Certificate No.	**Date of Issue**	**Permitted Use**	**Land Use Rights Expiry Date**	**Site Area (sq.m)**
惠府國用(2013)第13021700004號	4 February 2013	Residential Commercial	30 December 2082 30 December 2052	43,928.80

5. Pursuant to a Construction Land Planning Permit, issued by 惠州市住房和城鄉規劃建設局, the land use of the subject site was approved.

Details of the Construction Land Planning Permit are listed as follows:

Permit No.	**Date of Issue**	**Permitted Use**	**Site Area (sq.m)**	**Proposed Gross Floor Area (sq.m)**
地字第441302(2014)10035號	18 March 2014	Residential	43,928.80	52,715.00

6. Pursuant to twenty eight Construction Works Planning Permits, issued by 惠州市住房和城鄉規劃建設局, the development of the subject site was approved.

Details of the Construction Works Planning Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
建字第441302(2017)10359號	30 June 2017	1#	Residential	416.00
建字第441302(2017)10360號	30 June 2017	2#	Residential	1,513.60
建字第441302(2017)10361號	30 June 2017	3#	Residential	416.00
建字第441302(2017)10362號	30 June 2017	4#	Residential	350.50
建字第441302(2017)10363號	30 June 2017	5#	Residential	350.50
建字第441302(2017)10364號	30 June 2017	6#	Residential	350.50
建字第441302(2017)10365號	30 June 2017	7#	Residential	350.50
建字第441302(2017)10366號	30 June 2017	8#	Residential	350.50
建字第441302(2017)10367號	30 June 2017	9#	Residential	362.00
建字第441302(2017)10368號	30 June 2017	10#	Residential	362.00
建字第441302(2017)10369號	30 June 2017	11#	Residential	362.00
建字第441302(2017)10370號	30 June 2017	12#	Residential	362.00
建字第441302(2017)10371號	30 June 2017	13#	Residential	416.00
建字第441302(2017)10372號	30 June 2017	14#	Residential	350.50
建字第441302(2017)10373號	30 June 2017	15#	Residential	362.00
建字第441302(2017)10374號	30 June 2017	16#	Residential	476.10
建字第441302(2017)10375號	30 June 2017	17#	Residential	476.10
建字第441302(2017)10376號	30 June 2017	18#	Residential	844.00
建字第441302(2017)10377號	30 June 2017	19#	Residential	844.00
建字第441302(2017)10378號	30 June 2017	20#	Residential	844.00
建字第441302(2017)10379號	30 June 2017	21#	Residential	844.00
建字第441302(2017)10380號	30 June 2017	22#	Residential	844.00
建字第441302(2017)10381號	30 June 2017	23#	Residential	476.10
建字第441302(2017)10382號	30 June 2017	24#	Residential, Ancillary Facility	14,352.50
建字第441302(2017)10383號	30 June 2017	25#	Residential, Ancillary Facility, Commercial	14,693.70
建字第441302(2017)10384號	30 June 2017	26#	Residential, Ancillary Facility, Commercial	8,210.60
建字第441302(2017)10385號	30 June 2017	27#	Ancillary Facility, Commercial	3,778.10
建字第441302(2017)10358號	30 June 2017	Basement	Basement	21,388.30
				74,746.10

7. Pursuant to a Construction Works Commencement Permit, issued by 惠州市惠城區城鄉規劃建設局, the commencement of the construction of the property was approved.

Details of the Construction Works Commencement Permit are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
441302201708290101	1#–26#, Ancillary Facility, Basement	29 August 2017	74,746.10

8. Pursuant to a Pre-sale Permit, issued by 惠州市房產管理局, the pre-sale of a portion of property was permitted.

Details of the Pre-sale Permit are listed as follows:

Permit No.	Date of Issue	Portion	Development	Gross Floor Area (sq.m)
惠市房預許(2018)039號	11 May 2018	24#–26#	Residential	31,482.06
		24#–26#	Commercial	1,978.60
				33,460.66

9. The gross development value of the property by assuming that it had been completed as at the Valuation Date was circa RMB673,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date was circa RMB85,000,000 and RMB117,000,000.

10. The general description and market information of the property are summarized as below:

Location	:	The property is located at the south of Jichang Road, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 25 kilometres, 116 kilometres and 46 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

11. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

(a) 惠州漢基房地產開發有限公司 is the sole legal land use rights holder under the State-owned Land Use Rights Certificate of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

(b) 惠州漢基房地產開發有限公司, in accordance with and subject to the uses under the State-owned Land Use Rights Certificate, the mortgage agreement and the State-owned Land Grant Contract, can occupy, use, and profit from the land use rights of the property within the land use rights term;

(c) the land use rights of the land, known as 惠府國用(2013)第13021700004號 and the construction buildings erected thereon have been mortgaged to 恒生銀行(中國)有限公司惠州支行;

(d) in respect of the property subject to mortgage, the transfer of the property or any act of disposition against the property, including but not limited to remortgage, setting off debts, will be restricted by the mortgage agreement before the mortgage is removed; and

(e) 漢基投資有限公司 currently owns 100% of shares of 惠州漢基房地產開發有限公司.

12. In the course of our valuation of the property, we have considered and analysed the residential, retail and carparking sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the villa sale comparables are ranging from RMB10,000 to RMB25,000 per square metre. The unit rates of the high-rise residential sale comparables are ranging from RMB7,300 to RMB11,000 per square metre. The unit rates of the retail sale comparables are ranging from RMB16,975 to RMB18,750 per square metre The unit rates of the underground carparking sale comparables are ranging from RMB120,000 to RMB130,000 per space. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates for the high-rise residential, villa, retail and underground carparking portions of the property are RMB10,300, RMB15,500 per square metre, RMB17,800 per square metre and RMB132,000 per space respectively.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
12	Phase 1 of a residential land, namely Dragon Terrace, located at Tonghu Ecological Intelligent Zone, Huicheng District, Huizhou, Guangdong Province, The PRC	The property under construction comprises residential units and shops with a total gross floor area of approximately 124,026.00 square metres. The area breakdown is listed as below: Residential Units 116,573.00 sq.m Shops 7,453.00 sq.m As per the Real Estate Title Certificates, the master site of the development for Million Cities Tonghu Centre and Dragon Terrace, has a site area of approximately 150,487.00 square metres. A portion of the master site of approximately 94,891.00 square metres has been utilised for the development of Phases 1 and 2 of Dragon Terrace. As advised by the instructing party, the site area breakdown is listed as below: Phase 1 52,325.00 sq.m Phase 2 42,566.00 sq.m The land use rights of this portion of the master site were granted for a term expiring on 8 June 2087 for residential use and 8 June 2057 for commercial use. (Please refer to Note No. 4 below).	The property is currently under construction and is planned to be completed in December 2020.	492,000,000 (Four Hundred and Ninety Two Million) 50% interest attributable to the Group: 246,000,000 (Two Hundred and Forty Six Million)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Construction Land Grant Contract, entered into between 惠州市國土資源局 and 惠州惠港置業有限公司, the land use rights of the master site, with a site area of approximately 150,487.00 square metres were granted to 惠州惠港置業有限公司 at a consideration of RMB832,190,000 for various terms for residential and commercial uses.

Details of the State-owned Construction Land Use Rights Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
441305–Z–(2017)–10號	8 March 2017	Residential Commercial	70 Years 40 Years	832,190,000	150,487.00

4. Pursuant to a Real Estate Title Certificate, issued by 惠州市國土資源局, the land use rights of a portion of master site with a site area of approximately 94,891.00 square metres for the development of Phases 1 and 2 of Dragon Terrace were granted to 惠州惠港置業有限公司 for various terms for residential and commercial uses.

   Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
粵(2017)惠州市不動產權第5017714號	22 September 2017	Residential Commercial	8 June 2087 8 June 2057	94,891.00

5. Pursuant to a Construction Land Planning Permit for the development of Phases 1 and 2 of Dragon Terrace, issued by 惠州市住房和城鄉規劃建設局, the land use of a portion of the master site was approved.

   Details of the Construction Land Planning Permit are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)	Proposed Gross Floor Area (sq.m)
地字第441302(2017)60122號	26 September 2017	Residential Commercial	94,891.00	300,000.00

6. Pursuant to thirteen Construction Works Planning Permits for the development of this phase, issued by 惠州市住房和城鄉規劃建設局, the development of the subject site was firstly approved in January 2018. As confirmed by the instructing party, due to the change of construction work plan of this phase, the corresponding Construction Works Planning Permits were re-issued. Details of the Construction Works Planning Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
建字第441302(2018) 60281號	27 July 2018	Phase 1 — 1#	Residential, Commercial	11,703.30
建字第441302(2018) 60282號	27 July 2018	Phase 1 — 2#	Residential, Commercial	11,080.12
建字第441302(2018) 60283號	27 July 2018	Phase 1 — 3#	Residential, Commercial	10,900.22
建字第441302(2018) 60284號	27 July 2018	Phase 1 — 4#	Residential, Commercial	11,606.48
建字第441302(2018) 60285號	27 July 2018	Phase 1 — 5#	Residential, Commercial	12,195.29
建字第441302(2018) 60286號	27 July 2018	Phase 1 — 6#	Residential	11,102.42
建字第441302(2018) 60287號	27 July 2018	Phase 1 — 7#	Residential, Commercial	11,654.45
建字第441302(2018) 60288號	27 July 2018	Phase 1 — 8#	Residential, Commercial	11,477.18
建字第441302(2018) 60289號	27 July 2018	Phase 1 — 9#	Residential, Commercial	11,272.54
建字第441302(2018) 60290號	27 July 2018	Phase 1 — 10#	Residential, Commercial	11,277.70
建字第441302(2018) 60291號	27 July 2018	Phase 1 — 11#	Residential, Commercial	11,538.64
建字第441302(2018) 60044號	18 January 2018	Phase 1 — 21#	Ancillary Facility	100.80
建字第441302(2018) 60292號	27 July 2018	Phase 1 — Basement	Basement	37,235.71
				163,144.85

7. Pursuant to a Construction Works Commencement Permit, issued by 惠州市惠陽區住房和城鄉規劃建設局, the commencement of the construction of the property for the development of this phase was approved. Details of the Construction Works Commencement Permit are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
441352201803280101	1#–11#, 21#, Basement	28 March 2018	149,586.49

Construction Works Commencement Permit was granted in March 2018 after the issuance of Construction Works Planning Permit in January 2018. As confirmed by the instructing party, the application for revising Construction Works Commencement Permit according to the revised Construction Works Planning Permit was under processing as at 30 September 2018.

8. The gross development value of the property by assuming that it had been completed as at the Valuation Date was circa RMB1,417,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date was circa RMB494,000,000 and RMB95,000,000.

9. The general description and market information of the property are summarized as below:

Location	:	The property is located at Tonghu Ecological Intelligent District, Huicheng District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 95 kilometres and 40 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately commercial area.

10. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

    (a) 惠州惠港置業有限公司 is the sole legal land use rights holder under the Real Estate Title Certificate of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

    (b) 惠州惠港置業有限公司, in accordance with and subject to the uses under the Real Estate Title Certificate, the mortgage agreement and the State-owned Construction Land Grant Contract, can occupy, use and profit from land use rights of the property within the land use rights term;

    (c) the land use rights of the land, known as 粵(2017)惠州市不動產權第5017714號 has been mortgaged to 中國民生銀行股份有限公司深圳分行 as at 30 September 2018;

    (d) in respect of the property subject to mortgage, the transfer of the property or other act of disposition against the property, including but not limited to sale, rent, remortgage, is restricted by the mortgage agreement. However, the mortgage has been removed on 6 November 2018 which the aforesaid restriction on alienation of the property is released up to the date of this report; and

    (e) 惠港(香港)有限公司 currently owns 100% of shares of 惠州惠港置業有限公司;

11. In the course of our valuation of the property, we have considered and analysed the residential and retail sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the residential sale comparables are ranging from RMB8,800 to RMB12,000 per square metre. The unit rates of the retail sale comparables are ranging from RMB12,666 to RMB14,285 per space. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates for the residential and retail portions of the property are RMB11,300 per square metre and RMB13,400 per square metre respectively.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
13	A commercial development, namely Legend Plaza, located at the south of Jiahe Road, Wuqing District, Tianjin, The PRC	The property is a commercial land currently under construction. As per the Real Estate Title Certificate, the master site of the development has a site area of approximately 39,756.30 square metres. The land use rights of the master site were granted for a term expiring on 13 June 2053 for commercial use. (Please refer to Note No. 4 below).	The property is currently under construction.	115,000,000 (One Hundred and Fifteen Million) 55% interest attributable to the Group: 63,250,000 (Sixty Three Million Two Hundred and Fifty Thousand)

Notes:

1. The property was inspected by Simon Lee *Probationer of MRICS* on 17 April 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a Tianjin State-owned Construction Land Grant Contract, entered into between 天津市國土資源和房屋管理局武清區國土資源分局 and 萬城建基置業(天津)有限公司, the land use rights of the master site, with a site area of approximately 39,756.30 square metres were granted to 萬城建基置業(天津)有限公司 at a consideration of RMB60,000,000 for commercial use.

   Details of the Tianjin State-owned Construction Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
TJ11182013013	12 March 2013	Commercial	40 Years	60,000,000	39,756.30

4. Pursuant to a Real Estate Title Certificate, issued by 天津市人民政府 and 天津市國土資源和房屋管理局, the land use rights of the master site with a site area of approximately 39,756.30 square metres were granted to 萬城建基置業(天津)有限公司 for commercial use.

Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
房地證津字第122051300646號	21 November 2013	Commercial	13 June 2053	39,756.30

5. Pursuant to a Construction Land Planning Permit, issued by 天津市武清區規劃局, the land use of the master site was approved.

Details of the Construction Land Planning Permit are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)
2013武清地證0078	27 May 2013	Commercial	39,756.30

6. Pursuant to a Construction Works Planning Permit, issued by 天津市武清區行政審批局, the development of the Phase 1 of the subject site was approved.

Details of the Construction Works Planning Permit are listed as follows:

Permit No.	Date of Issue	Permitted Use	Proposed Gross Floor Area (sq.m)
2015武清建證0189	13 November 2015	Commercial	9,893.45

7. Pursuant to a Construction Works Commencement Permit, issued by 天津市武清區行政審批局, the commencement of the construction of Phase 1 of the property was approved.

Details of the Construction Works Commencement Permit are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
1201142015112704161	Phase 1 — 11#	27 November 2015	9,266.63

8. The general description and market information of the property are summarized as below:

Location	:	The property is located at the south of Jiahe Road, Wuqing District, Tianjin, The PRC.
Transportation	:	Tianjin Binhai International Airport, Tianjin South Railway Station and Tianjin Railway Station are located approximately 40 kilometres, 40 kilometres and 30 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

9. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

(a) 萬城建基置業(天津)有限公司 is the sole legal land use rights holder under the Real Estate Title Certificate of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

(b) 萬城建基置業(天津)有限公司, in accordance with and subject to the uses under the Real Estate Title Certificate and the State-owned Construction Land Grant Contract, can occupy, use, transfer, lease, mortgage or by other legal means handle the land use rights of the property within the land use rights term; and

(c) 津港(香港)有限公司 currently owns 100% of shares of 萬城建基置業(天津)有限公司.

10. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The accommodation value of the land sale comparables are ranging from RMB1,126 to RMB1,350 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, term and size, etc. The adopted accommodation value of the property is RMB1,446 per square metre.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
14	Phase 1 of a residential development, namely Dragon Palace, located at the south of Hexing Road, Suiping County, Zhumadian, Henan Province, The PRC	The property under construction comprises residential units, shops, carparking spaces and kindergarten with a total gross floor area of approximately 350,940.74 square metres. The area breakdown is listed as below: Residential Units 239,897.20 sq.m Shops 1,921.54 sq.m Underground Carparking spaces 109,122.00 sq.m As per the Real Estate Title Certificates, the master site of the development for Phases 1–2 has a site area of approximately 221,553.77 square metres. As advised by the instructing party, a portion of the master site of approximately 115,361.38 square metres has been utilized for the development of this phase. The land use rights of the subject site were granted for a term expiring on 12 November 2087 for residential use. (Please refer to Note No. 4 below).	The property is currently under construction and is planned to be completed in May 2020.	813,000,000 (Eight Hundred and Thirteen Million) 30% interest attributable to the Group: 243,900,000 (Two Hundred Forty Three Million and Nine Hundred Thousand)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to four State-owned Construction Land Use Rights Grant Contracts, entered into between 遂平縣國土資源局 and 河南聚龍居置業有限公司, the land use rights of the subject site, with a total site area of approximately 221,553.77 square metres were granted to 河南聚龍居置業有限公司 at a total consideration of RMB272,864,000 for residential use.

Details of the State-owned Construction Land Use Rights Grant Contracts are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
411728-CR-2016–0155–17825	13 November 2017	Residential	70 Years	80,552,000	65,462.65
411728-CR-2016–0155–17826	13 November 2017	Residential	70 Years	84,488,000	68,737.18
411728-CR-2016–0155–17827	13 November 2017	Residential	70 Years	75,168,000	60,973.89
411728-CR-2016–0155–17828	13 November 2017	Residential	70 Years	32,656,000	26,380.05
				272,864,000	221,553.77

4. Pursuant to four Real Estate Title Certificates, issued by 遂平縣國土資源局, the land use rights of the subject site with a total site area of approximately 221,553.77 square metres were granted to 河南聚龍居置業有限公司 for residential use.

Details of the four Real Estate Title Certificates are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
豫(2018)遂平縣不動產權第0000067號	10 January 2018	Residential	12 November 2087	65,462.65
豫(2018)遂平縣不動產權第0000066號	10 January 2018	Residential	12 November 2087	68,737.18
豫(2018)遂平縣不動產權第0000069號	10 January 2018	Residential	12 November 2087	60,973.89
豫(2018)遂平縣不動產權第0000068號	10 January 2018	Residential	12 November 2087	26,380.05
				221,553.77

5. Pursuant to four Construction Land Use Planning Permits, issued by 遂平縣規劃辦行政服務中心, the land use of a portion of this phase of project was approved.

Details of the Construction Land Use Planning Permit are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)
地字第411728201700040302202號	28 November 2017	Residential	65,462.65
地字第411728201700039302202號	28 November 2017	Residential	68,737.18
地字第411728201700038302202號	28 November 2017	Residential	60,973.89
地字第411728201700037302202號	28 November 2017	Residential	26,380.05
			221,553.77

6. Pursuant to a Construction Works Planning Permit for the development of this phase, issued by 遂平縣規劃辦行政服務中心, the development of the subject site was approved.

Details of the Construction Works Planning Permit are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
建字第411728201800016302202號	8 May 2018	Phase I — 1#, 2#, 4#–8#, 12#–19#, 24#, 26#–28#, 30#–34#	Residential	241,644.3

7. Pursuant to a Construction Works Commencement Permit for the development of this phase, issued by 遂平縣住房和城鄉建設局, the commencement of the construction of the property was approved.

Details of the Construction Works Commencement Permit are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
412823201807052701	Phase I — 1#, 2#, 4#–8# and 12#	5 July 2018	95,391.76

8. Pursuant to two Pre-sale Permits, issued by 遂平縣住房和城鄉建設局, the pre-sale of a portion of the property was permitted.

Details of the Pre-sale Permit are listed as follows:

Permit No.	Date of Issue	Portion	Development	Gross Floor Area (sq.m)
遂住建預售證第18098號	19 September 2018	Phase 1 — 1#	Residential	9,304.1
遂住建預售證第18099號	19 September 2018	Phase 1 — 2#	Residential	9,304.1
				18,608.2

9. The gross development value of the property by assuming that it had been completed as at the Valuation Date was circa RMB1,777,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date was circa RMB584,000,000 and RMB52,000,000.

10. The general description and market information of the property are summarized as below:

Location	:	The property is located at the south of Hexing Road, Suiping County, Zhumadian, Henan Province, The PRC.
Transportation	:	Xinzheng International Airport, Suiping Railway Station and Zhumadian West Railway Station are located approximately 180 kilometres, 3.5 kilometres and 19 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

11. We have been provided with a legal opinion regarding the property by AllBright Law Offices, which contains, *inter alia*, the following:

    (a) 河南聚龍居置業有限公司 is the sole legal land use rights holder under the Real Estate Title Certificates of the property;

    (b) 河南聚龍居置業有限公司, in accordance with the uses under the Real Estate Title Certificates and the State-owned Land Grant Contracts, can occupy, use, transfer, lease, mortgage or by other means handle the land use rights of the property within the land use rights term; and

    (c) 怡美(香港)有限公司 owns 100% of shares of 河南聚龍居置業有限公司.

12. In the course of our valuation of the property, we have considered and analysed the residential, retail, and carparking sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the residential sale comparables are ranging from RMB5,700 to RMB6,200 per square metre. The unit rates of the retail sale comparables are ranging from RMB6,667 to RMB8,850 per square metre. The unit rates of the underground carparking sale comparables are ranging from RMB80,000 to RMB130,000 per space. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates for the residential, retail and underground carparking portions of the property are RMB6,000, RMB8,500 per square metre and RMB100,000 per space respectively.

Group 3 — Property Interests Held by the Group for Sale in The PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
15	Phases 1, 2 and 3 of a residential development, namely Million Cities International, located at Baiyunkeng, Huiyang District, Huizhou, Guangdong Province, The PRC	As advised by the instructing party, the unsold property comprises residential units, shops, clubhouse and carparking spaces with a total gross floor area of approximately 28,346.19 square metres. The area breakdown is listed as below: Residential Units 5,581.16 sq.m Shops 8,635.86 sq.m Clubhouse 2,360.81 sq.m Underground Carparking spaces 11,767.91 sq.m As per the State-owned Land Grant Contract, the master site of the development has a site area of approximately 113,596 square metres. As advised by the instructing party, a portion of the master site of approximately 50,571.00 square metres has been utilised for the development of these phases. As advised by the instructing party, the land use rights of the subject site were granted for a term expiring on 10 January 2078 for residential use and 10 January 2048 for commercial use.	The property was completed in about March 2013 and is currently available for sale.	336,000,000 (Three Hundred and Thirty Six Million) 100% interest attributable to the Group: 336,000,000 (Three Hundred and Thirty Six Million)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Land Grant Contract, entered into between 惠州市國土資源局 and 惠州怡展房地產開發有限公司, the land use rights of the master site, with a site area of approximately 113,596.00 square metres were granted to 惠州怡展房地產開發有限公司 at a consideration of RMB49,755,000 for various terms for residential and commercial uses.

Details of the State-owned Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
441303–2007–002073	27 December 2007	Residential	70 Years	49,755,000	113,596.00
		Commercial	40 Years		

4. Pursuant to four State-owned Land Use Rights Certificates, issued by 惠州市人民政府, the land use rights of the majority portion of the master site with a total site area of approximately 111,549.00 square metres were granted to 惠州怡展房地產開發有限公司. Details of the State-owned Land Use Rights Certificates are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Site Area (sq.m)
惠陽國用(2008)第0100087號	10 January 2008	Composite Residential	22,324.00
惠陽國用(2008)第0100088號	10 January 2008	Composite Residential	39,290.00
惠陽國用(2008)第0100089號	10 January 2008	Composite Residential	26,650.00
惠陽國用(2008)第0100090號	10 January 2008	Composite Residential	23,285.00
			111,549.00

As advised by the instructing party, a portion of the master site with a site area of approximately 2,047.00 square metres was planned for the use of Public Security Bureau by the authority.

5. Pursuant to a Construction Land Planning Permit, issued by 惠州市規劃建設局, the land use of the master site was approved.

Details of the Construction Land Planning Permit are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)
惠陽規地字(2007)1180	22 August 2007	Residential, Commercial	113,549.00

6. Pursuant to sixteen Construction Works Planning Permits for the development of these phases, issued by 惠州市規劃建設局, the development of the subject site was approved.

Details of the Construction Works Planning Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
惠陽規建字(2008)0055	30 January 2008	Phase 1 — A1–A3	Residential Commercial	16,272.00
惠陽規建字(2008)0057	30 January 2008	Phase 1 — A4–A5	Residential Commercial	11,857.00
惠陽規建字(2008)0056	30 January 2008	Phase 1 — A6–A8	Residential	16,674.00
惠陽規建字(2008)0058	30 January 2008	Phase 1 — A9	Residential	6,799.00
惠陽規建字(2008)0054	30 January 2008	Phase 1 — Basement Zone A	Basement	12,403.40
惠陽規建字(2008)0059	30 January 2008	Phase 1 — Club House	Club House	2,731.00
建字第441303200910479號	29 September 2009	Phase 2 — B1	Residential	12,271.00
建字第441303200910480號	29 September 2009	Phase 2 — B2	Residential	9,510.00
建字第441303200910481號	29 September 2009	Phase 2 — B3–B4	Residential Commercial	14,322.00
建字第441303200910482號	29 September 2009	Phase 2 — B5–B6	Residential Commercial	14,618.00
建字第441303200910478號	29 September 2009	Phase 2 — Basement Zone B	Basement	15,535.00
建字第441303201010177號	26 March 2010	Phase 2 — Club House	Club House	724.00
建字第441303201010543號	17 September 2010	Phase 3 — C1	Residential	13,052.00
建字第441303201010541號	17 September 2010	Phase 3 — C2	Residential	11,699.00
建字第441303201010542號	17 September 2010	Phase 3 — C3–C4	Residential	22,468.00
建字第441303201010544號	17 September 2010	Phase 3 — Basement Zone C	Basement	8,252.00
				189,187.40

7. Pursuant to three Construction Works Commencement Permits for the development of these phases, issued by 惠州市惠陽區建設局, the commencement of the construction of the subject development was approved.

Details of the Construction Works Commencement Permits are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
4425210803130101	Phase 1 — A1–A9, Basement Zone A, Club House	13 March 2008	66,726.00
442521200912300101	Phase 2 — B1–B6, Basement Zone B, Club House	30 December 2009 (B1–B6, Basement Zone B) 6 September 2010 (Clubhouse)	66,256.00
442521201005100201	Phase 3 — C1–C4, Basement Zone C	10 May 2011	55,471.00
			188,453.00

8. Pursuant to thirteen Pre-sale Permits for the development of these phases, issued by 惠州市惠陽區房產管理局, the pre-sale of a portion of the subject development was permitted.

Details of the Pre-sale Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Gross Floor Area (sq.m)
惠房預許字(2008)第027號	29 July 2008	Phase 1 — A1	Residential	4,399.56
惠房預許字(2008)第028號	29 July 2008	Phase 1 — A2	Residential	4,390.92
惠房預許字(2008)第029號	29 July 2008	Phase 1 — A3	Residential	3,855.05
惠房預許字(2008)第030號	30 July 2008	Phase 1 — A4	Residential	3,951.15
惠房預許字(2008)第031號	30 July 2008	Phase 1 — A5	Residential	4,674.65
惠房預許字(2008)第032號	31 July 2008	Phase 1 — A6	Residential	4,541.22
惠房預許字(2008)第033號	31 July 2008	Phase 1 — A7	Residential	4,657.58
惠房預許字(2008)第034號	31 July 2008	Phase 1 — A8	Residential	5,572.80
惠房預許字(2008)第035號	31 July 2008	Phase 1 — A9	Residential	6,378.15
惠房預許字(2008)第026號	29 July 2008	Phase 1 — Clubhouse	Commercial	2,265.83
惠房預許字(2010)第020號	21 December 2010	Phase 2 — B2–B6	Residential	35,958.00
惠房預許字(2010)第025號	21 December 2010	Phase 2 — B1	Residential	12,256.83
惠房預許字(2011)第054號	23 September 2011	Phase 3 — C1–C4	Residential	47,171.68
				140,073.42

9. Pursuant to eighteen Completion Certificates for the development of these phases, issued by 惠州市惠陽區建設局, the completion of the construction of the subject development was certified.

Details of the Construction Completion Certificates are listed as follows:

Certificate No.	Date of Issue	Portion	Gross Floor Area (sq.m)
NA	9 October 2009	Phase 1 — A1–A3	16,272.36
NA	9 October 2009	Phase 1 — A4–A5	11,857.09
NA	9 October 2009	Phase 1 — A6–A8	16,674.20
NA	9 October 2009	Phase 1 — A9	6,798.62
NA	9 October 2009	Phase 1 — Basement Zone A	12,403.40
NA	9 October 2009	Phase 1 — Club House	2,720.60
NA	6 January 2012	Phase 2 — B1	12,271.00
NA	6 January 2012	Phase 2 — B2	9,510.00
NA	6 January 2012	Phase 2 — B3–B4	14,322.00
NA	6 January 2012	Phase 2 — B5–B6	14,618.00
NA	6 January 2012	Phase 2 — Basement Zone B	15,535.00
NA	6 January 2012	Phase 2 — Club House	724.00
NA	15 March 2013	Phase 3 — C1	13,052.00
NA	15 March 2013	Phase 3 — C2	11,699.00
NA	15 March 2013	Phase 3 — C3–C4	22,468.00
NA	15 March 2013	Phase 3 — Basement Zone C	8,252.00
			189,177.27

10. The general description and market information of the property are summarized as below:

Location	:	The property is located at Baiyunkeng, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 90 kilometres and 7 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

11. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

    (a) 惠州怡展房地產開發有限公司 is the sole legal land use rights holder under the State-owned Land Use Rights Certificates of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

    (b) 惠州怡展房地產開發有限公司, in accordance with and subject to the uses under the State-owned Land Use Rights Certificates and the State-owned Land Grant Contract, can occupy, use, transfer, lease, mortgage or by other legal means handle the land use rights of the property within the land use rights term;

    (c) In respect of the unsold portion of the property, certified as completion, 惠州怡展房地產開發有限公司 has the right to occupy, use and profit from it in accordance with the law; and

    (d) 怡展(香港)有限公司 currently owns 100% of shares of 惠州怡展房地產開發有限公司.

12. In the course of our valuation of the property, we have considered and analysed the residential, retail and carparking sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the residential sale comparables are ranging from RMB13,200 to RMB16,000 per square metre. The unit rates of the retail sale comparables are ranging from RMB12,258 to RMB19,077 square metre. The unit rates of the underground carparking sale comparables are ranging from RMB80,000 to RMB150,000 space. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates for the residential, retail, clubhouse and underground carparking portions of the property are RMB14,500 per square metre, RMB15,800 per square metre, RMB7,900 per square metre and RMB113,000 per space respectively.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
16	Phase 1 of a mixed-use development, known as Million Cities Legend, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	As advised by the instructing party. The unsold property comprises residential units, shops, clubhouse and carparking spaces with a total gross floor area of approximately 41,928.04 square metres. The area breakdown is listed as below: Residential Units 2,181.13 sq.m Clubhouse 3,337.40 sq.m Shops 5,633.51 sq.m Underground Carparking spaces 30,776.00 sq.m As per the State-owned Land Use Rights Certificates and the Real Estate Title Certificates, the master site of the development for Phases 1–3 has a site area of approximately 89,899.00 square metres. As advised by the instructing party, a portion of the master site of approximately 33,915.55 square metres has been utilised for the development of this phase. The land use rights of the subject site were granted for various term for residential and commercial uses. (Please refer to Note Nos. 4, 5 and 6 below).	The property was completed in about February 2017 and is currently available for sale.	147,000,000 (One Hundred and Forty Seven Million) 54.5% interest attributable to the Group: 80,115,000 (Eighty Million One Hundred and Fifteen Thousand)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Land Grant Contract, entered into between 惠陽市國土局 and 惠陽市金信建材市場發展有限公司, which was subsequently renamed as 惠州市萬城房地產開發有限公司, the land use rights of a portion of the master site for the development, with a site area of approximately 136,039.00 square metres were granted to 惠陽市金信建材市場發展有限公司 at a consideration of RMB23,776,298 for 50 years for construction material market use.

Details of the State-owned Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
GF–94–1001	11 January 2002	Construction Material Market	50 Years	23,776,298	136,039.00

4. Pursuant to a State-owned Construction Land Grant Contract, entered into between 惠州市國土資源局 and 惠州市萬城房地產開發有限公司, the land use rights of a portion of the master site for the development, with a site area of approximately 6,939.00 square metres were granted to 惠州市萬城房地產開發有限公司at a consideration of RMB16,810,000 for various terms for residential and commercial uses.

Details of the State-owned Land Use Rights Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
441303–2016–000158	30 August 2016	Residential Commercial	70 Years 40 Years	16,810,000.00	6,939.00

5. As advised by the instructing party, the usage of a portion of the master site was modified subject to payment of premium. Pursuant to two State-owned Construction Land Grant Contracts, entered into between 惠州市國土資源局 and 惠州市萬城房地產開發有限公司, the land use rights of a portion of the master site for the development of Phases 1–3, with a site area of approximately 82,960.00 square metres were granted to 惠州市萬城房地產開發有限公司 at a total consideration of RMB18,764,929.00 for various terms for residential and commercial uses.

Details of the State-owned Construction Land Grant Contracts are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
441303–2011–000378	12 December 2011	Residential Commercial	31 August 2081 31 August 2051	9,933,921.79	43,918.00
441303–2011–000379	12 December 2011	Residential Commercial	31 May 2081 31 May 2051	8,831,007.21	39,042.00
				18,764,929.00	82,960.00

6. Pursuant to two State-owned Land Use Rights Certificates, issued by 惠州市人民政府, the land use rights of a portion of the master site for the development of Phases 1–3 with a total site area of approximately 82,960.00 square metres were granted to 惠州市萬城房地產開發有限公司 for various terms for residential and commercial uses.

   Details of the Real Estate Title Certificates are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
惠陽國用(2012)第0101548號	26 June 2012	Residential	31 August 2081	43,918.00
		Commercial	31 August 2051	
惠陽國用(2012)第0101547號	26 June 2012	Residential	31 May 2081	39,042.00
		Commercial	31 May 2051	
				82,960.00

7. Pursuant to a Real Estate Title Certificate, issued by 惠州市國土資源局, the land use rights of a portion of the master site for the development of Phases 1–3 with a site area of approximately 6,939.00 square metres were granted to 惠州市萬城房地產開發有限公司 for various terms for residential and commercial uses.

   Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
粵(2016)惠州市不動產權第3001313號	14 September 2016	Residential	20 August 2086	6,939.00
		Commercial	20 August 2056	

8. Pursuant to the 《建設用地規劃條件》(惠陽規建條[2017]212號與惠陽規建條[2017]213號), issued by 惠陽區住房和城鄉規劃建設局, the land use rights of the abovementioned sites, which consist of three plots of land with a site area of approximately 89,899.00 square metres, have been consolidated, and new Real Estate Title Certificate will be issued accordingly. Pursuant to a Real Estate Title Certificate, issued by 惠州市國土資源局, the land use rights of a portion of the master site with a site area of approximately 55,983.45 square metres were regranted to 惠州市萬城房地產開發有限公司 for various terms for residential and commercial uses.

   Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
粵(2018)惠州市不動產權第3008805號	7 February 2018	Residential	6 June 2087	55,983.45
		Commercial	6 June 2057	

   As advised by the instructing party, the remaining portion of the abovementioned three plots of land with a site area of approximately 33,915.55 square metres would not be regranted for a new Real Estate Title Certificate due to the title registration by individual purchasers.

9. Pursuant to three Construction Land Planning Permits for the development of Phases 1–3, issued by 惠州市惠陽區住房和城鄉規劃建設局, the land use of the master site was approved.

Details of the Construction Land Planning Permits are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)
地字第441303201310278	30 July 2013	Residential	43,918.00
地字第441303201310279	30 July 2013	Residential	39,042.00
地字第441303201610306	12 October 2016	Residential	6,939.00
			89,899.00

10. Pursuant to ten Construction Works Planning Permits for the development of Phases 1–3, issued by 惠州市惠陽區住房和城鄉規劃建設局, the development of the subject site of this phase of project was approved.

Details of the Construction Works Planning Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
建字第441303201310401號	9 October 2013	Phase 1 — 1#–2#	Residential Commercial	21,795.00
建字第441303201310406號	9 October 2013	Phase 1 — 3#	Residential Commercial	11,265.00
建字第441303201310407號	9 October 2013	Phase 1 — 4#–5#	Residential Commercial	21,753.00
建字第441303201310408號	9 October 2013	Phase 1 — 6#–7#	Residential Commercial	30,379.00
建字第441303201310409號	9 October 2013	Phase 1 — 8#	Residential	12,592.00
建字第441303201310410號	9 October 2013	Phase 1 — 9#	Residential Ancillary Facility	10,614.00
建字第441303201310403號	9 October 2013	Phase 1 — Commercial Block 1	Commercial	1,478.00
建字第441303201310404號	9 October 2013	Phase 1 — Commercial Block 2	Commercial	3,370.00
建字第441303201310402號	9 October 2013	Phase 1 — Basement	Basement	30,776.00
建字第441303201310405號	9 October 2013	Phase 1 — Ancillary Facility	Ancillary Facility	721.00
				144,743.00

11. Pursuant to a Construction Works Commencement Permit, issued by 惠州市惠陽區住房和城鄉規劃建設局, the commencement of the construction of the subject site of this phase of project was approved. Details of the Construction Works Commencement Permit are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
441303201312100101	Phase 1 — 1#–9#, Basement, Ancillary Facility, Commercial Block 1–2	10 December 2013	144,743.00

12. Pursuant to two Pre-sale Permits, issued by 惠州市惠陽區房產管理局, the pre-sale of a portion of the subject development was permitted. Details of the Pre-sale Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Gross Floor Area (sq.m)
惠陽房預許字(2014)第031號	24 September 2014	Phase 1 — 1#–5#, 7#	Residential	63,634.34
惠陽房預許字(2014)第040號	6 November 2014	Phase 1 — 6#, 8#–9#	Residential	36,686.30
				100,320.64

13. Pursuant to two Completion Certificates for development of this phase, issued by 惠州市惠陽區住房和城鄉規劃建設局, the completion of the construction of the subject development was certified.

Details of the Completion Certificates are listed as follows:

Certificate No.	Date	Portion	Gross Floor Area (sq.m)
NA	5 August 2016	Phase 1 — 1#–9#, Basement, Ancillary Facility, Commercial Block 1	141,373.00
NA	28 February 2017	Phase 1 — Commercial Block 2	3,370.00
			144,743.00

14. As advised by the Group, underground carparking spaces of the property are yet to be granted with the respective title certificates of building ownership rights. In the course of our valuation, we have attributed no commercial value to this portion of the property. The reference value of this portion of the property, assuming that it has been granted with a proper title certificate of building ownership rights and it can be freely transferred, as at the Valuation Date is circa RMB105,000,000.

15. The general description and market information of the property are summarized as below:

Location	:	The property is located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 85 kilometres and 8 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

16. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

    (a) 惠州萬城房地產開發有限公司 is the sole legal land use rights holder under the State-owned Land Use Rights Certificates and the Real Estate Title Certificates of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

    (b) 惠州萬城房地產開發有限公司, in accordance with and subject to the uses under the State-owned Land Use Rights Certificates, the Real Estate Title Certificates and the State-owned Land Grant Contracts, can occupy, use, transfer, lease, mortgage or by other legal means handle the land use rights of the property within the land use rights term;

    (c) In respect of the unsold portion of the property, certified as completion, 惠州市萬城房地產開發有限公司 has the right to occupy, use and profit from it in accordance with the law; and

    (d) 惠州萬城企業管理策劃有限公司, 惠州怡展房地產開發有限公司, 劉偉韜, 林國賢 and 王小霞 currently owns 43.38%, 6.12%, 24.5%, 5% and 21% of shares of 惠州市萬城房地產開發有限公司 respectively.

17. In the course of our valuation of the property, we have considered and analysed the residential, retail and carparking sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the residential sale comparables are ranging from RMB13,640 to RMB15,500 per square metre. The unit rates of the retail sale comparables are ranging from RMB12,258 to RMB19,077 per square metre. The unit rates of the underground carparking sale comparables are ranging from RMB80,000 to RMB150,000 per space. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates for the residential, clubhouse, retail and underground carparking portions of the property are RMB14,500 per square metre, RMB7,900 per square metre, RMB15,800 per square metre and RMB113,000 per space respectively.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
17	Phases 1 and 2 of a residential development, namely Sunshine New Court, located at Renmin South 4th Road, Huicheng District, Huizhou, Guangdong Province, The PRC	As advised by the instructing party, the unsold/not yet handover property comprises residential units, shops and carparking spaces with a total gross floor area of approximately 19,998.88 square metres. The area breakdown is listed as below: Residential Units (unsold) 192.68 sq.m Residential units (not yet handover) 475.71 sq.m Shops (unsold) 444.94 sq.m Shops (not yet handover) 521.30 sq.m Kindergarten (unsold) 2,756.10 sq.m Underground Carparking Spaces (unsold) 15,608.15 sq.m As per the State-owned Land Use Rights Certificate, the subject site of the development has a site area of approximately 32,109.70 square metres. The land use rights of the subject site were granted for a term expiring on 1 March 2073 for residential use and a term expiring on 1 March 2043 for commercial use. (Please refer to Note No. 4 below).	Phases 1 and 2 of the property were completed in about December 2010 and November 2016 respectively and both are currently available for sale.	36,000,000 (Thirty Six Million) 95.39% interest attributable to the Group: 34,340,400 (Thirty Four Million Three Hundred Forty Thousand and Four Hundred)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a State-owned Land Grant Contract, the land use rights of the subject site were granted by 惠州市國土資源局 to 惠州市悅富房地產有限公司 in 26 November 2006, with a site area of approximately 32,110.00 square metres at a consideration of RMB1,752,289 for a term expiring on 1 March 2073 for residential use and a term expiring on 1 March 2043 for commercial use. Pursuant to a State-owned Land Grant Contract of 441301–2008–000147, 惠州市悅富房地產有限公司 paid a land premium of RMB6,036,600 for the increasing of plot ratio from 1.60 to 2.24 in 24 March 2008.

   Pursuant to a State-owned Construction Land Grant Contract, entered into between 惠州市國土資源局 and 惠州市悅富房地產有限公司, the land use rights of the subject site, with a site area of approximately 32,108.00 square metres were granted to 惠州市悅富房地產有限公司 at a consideration of RMB16,284,842 for the increasing of plot ratio from 2.24 to 2.80 for various terms for residential and commercial uses.

   Details of the State-owned Land Grant Contracts and State-owned Construction Land Grant Contract are listed as follows:

Contract No.	**Date of Issue**	**Permitted Use**	**Land Use Rights Term**	**Consideration (RMB)**	**Site Area (sq.m)**
Nil	26 November 2006	Residential Commercial	1 March 2073 1 March 2043	1,752,289	32,110.00
441301–2008–000147	19 May 2008	Residential Commercial	1 March 2073 1 March 2043	6,036,600	32,110.00
441301–2014–000029	7 August 2014	Residential Commercial	1 March 2073 1 March 2043	16,284,842	32,108.00
				24,073,731	

4. Pursuant to a State-owned Land Use Rights Certificate, issued by 惠州市人民政府, the land use rights of the subject site with a site area of approximately 32,109.70 square metres were granted to 惠州市悅富房地產有限公司 for residential use.

   Details of the State-owned Land Use Rights Certificate are listed as follows:

Certificate No.	**Date**	**Use**	**Land Use Rights Expiry Date**	**Site Area (sq.m)**
惠府國用(2007)第3021700067號	12 February 2007	Residential Commercial	1 March 2073 1 March 2043	32,109.70

5. Pursuant to a Construction Land Planning Permit for the development of these phases, issued by 惠州市規劃建設局, the land use of the subject site was approved.

   Details of the Construction Land Planning Permit are listed as follows:

Permit No.	**Date of Issue**	**Permitted Use**	**Site Area (sq.m)**
惠市規地證(2006)0686號	1 September 2006	Residential Commercial	32,109.70

6. Pursuant to eight Construction Works Planning Permits for the development of these phases, issued by 惠州市規劃建設局 and 惠州市住房和城鄉規劃建設局, the development of the subject site was approved.

Details of the Construction Works Planning Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
建字第惠市規證(水) (2008) 0117號	16 July 2008	Phase 1 — Kindergarten	Kindergarten, Ancillary Facility	2,817.00
建字第惠市規證(水) (2008) 0120號	28 July 2008	Phase 1 — 1#	Residential, Ancillary Facility Commercial	17,771.00
建字第441302(2014)10503號	18 August 2014	Phase 2 — Basement	Basement	23,833.57
建字第441302(2014)10499號	14 August 2014	Phase 2 — 2#	Residential Commercial	11,694.38
建字第441302(2014)10504號	18 August 2014	Phase 2 — 3#	Residential Commercial	13,568.90
建字第441302(2014)10505號	18 August 2014	Phase 2 — 4#	Residential Ancillary Facility	20,368.61
建字第441302(2014)10497號	13 August 2014	Phase 2 — 5#	Residential Commercial	12,525.00
建字第441302(2014)10498號	13 August 2014	Phase 2 — 6#	Residential Commercial	15,108.00
				117,686.46

7. Pursuant to two Construction Works Commencement Permits for the development of these phases, issued by 惠州市惠城區規劃建設局, the commencement of the construction of the subject development was approved. Details of the Construction Works Commencement Permits are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
442501200809090201	Phase 1 — Kindergarten, 1#	9 September 2008	20,588.00
惠城442501201409300101	Phase 2 — 2#–6#, Basement	30 September 2014	97,000.00
			117,588.00

8. Pursuant to one Sale Permit for development of Phase 1 and five Pre-sale Permits for the development of Phase 2, issued by 惠州市房產管理局, the sale and pre-sale of a portion of the subject development was permitted.

Details of the Sale and Pre-sale Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Gross Floor Area (sq.m)
惠市房備(2012)002號	12 June 2012	Phase 1 — 1#	Residential Commercial	15,507.43
惠市房預許(2015)041號	11 June 2015	Phase 2 — 2#	Residential Commercial	11,368.61
惠市房預許(2015)053號	16 July 2015	Phase 2 — 3#	Residential Commercial	13,138.32
惠市房預許(2015)070號	14 September 2015	Phase 2 — 4#	Residential Commercial	19,081.92
惠市房預許(2015)093號	5 November 2015	Phase 2 — 5#	Residential Commercial	11,888.84
惠市房預許(2015)054號	16 July 2015	Phase 2 — 6#	Residential Commercial	14,564.95
				85,550.07

9. Pursuant to two Completion Certificates for the development of these phases, issued by 惠州市惠城區規劃建設局, the completion of the construction of the subject development was certified.

Details of the Completion Certificates are listed as follows:

Certificate No.	Date of Issue	Portion	Gross Floor Area (sq.m)
GD301701	20 December 2010	Phase 1 — Kindergarten, 1#	20,527.86
GD301701	28 November 2016	Phase 2 — 2#–6#, Basement	96,770.10
			117,297.96

10. Pursuant to a Real Estate Title Certificate, issued by 惠州市國土資源局, the building ownership rights of a portion of the subject development with the gross floor area of approximately 2,756.10 square metres were legally vested in 惠州市悅富房地產有限公司.

Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Portion	Land Use Rights Term	Gross Floor Area (sq.m)
粵(2018)惠州市不動產權第0021349號	23 February 2018	Kindergarten	1 March 2073	2,756.10

11. As advised by the Group, underground carparking spaces of the property are yet to be granted with the respective title certificates of building ownership rights. In the course of our valuation, we have attributed no commercial value to this portion of the property. The reference value of this portion of the property, assuming that it has been granted with a proper title certificate of building ownership rights and it can be freely transferred, as at the Valuation Date is circa RMB56,000,000. As advised by the Group, residential units and shops with a gross floor area of 475.71 square metres and 521.30 square metres had been sold but not yet transferred as at the Valuation Date.

12. The general description and market information of the property are summarized as below:

13.
Location	:	The property is located at Renmin South 4th Road, Huicheng District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 22 kilometres, 113 kilometres and 43 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

14. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

    (a) 惠州市悅富房地產有限公司 is the sole legal land use rights holder under the State-owned Land Use Rights Certificates of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

    (b) 惠州市悅富房地產有限公司, in accordance with and subject to the uses under the State-owned Land Use Rights Certificate and the State-owned Land Grant Contract, can occupy, use, transfer, lease, mortgage or by other legal means handle the land use rights of the property within the land use rights term;

    (c) In respect of the unsold portion of the property, certified as completion, 惠州市悅富房地產有限公司 has the right to occupy, use and profit from it in accordance with the law; and

    (d) 惠州萬城企業管理策劃有限公司, 王小霞 and 林國賢 currently owns 90.4%, 4.61% and 4.99% of shares of 惠州市悅富房地產有限公司 respectively.

15. In the course of our valuation of the property, we have considered and analysed the residential, retail, kindergarten and carparking sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the residential sale comparables are ranging from RMB13,275 to RMB16,192 per square metre. The unit rates of the retail sale comparables are ranging from RMB16,700 to RMB20,000 per square metre. The unit rates of kindergarten sale comparables are ranging from RMB2,714 to RMB3,122 per square metre. The unit rates of the underground carparking sale comparables are ranging from RMB80,000 to RMB150,000 per space. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates for the residential, retail, kindergarten and underground carparking portions of the property are RMB15,500 per square metre, RMB19,000 per square metre, RMB3,800 per square metre and RMB113,000 per space respectively.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
18	Phases 1 and 2 of a residential development, namely Million Cities Tycoon Place, located at No. 123 Jiahe Road, Wuqing District, Tianjin, The PRC	As advised by the instructing party. The unsold property comprises residential units, shops, clubhouse and carparking spaces with a total gross floor area of approximately 18,211.46 square metres. The area breakdown is listed as below: Residential Units 395.44 sq.m Shops 7,478.62 sq.m Clubhouse 5,561.80 sq.m Underground Carparking spaces 4,775.60 sq.m As per the Real Estate Title Certificate, the master site of the development has a site area of approximately 159,882.10 square metres. As advised by the instructing party, a portion of master site of approximately 84,808.30 square metres has been utilised for the development of these phases. The site area breakdown is listed as below: Phase 1 34,111.93 sq.m Phase 2 50,696.37 sq.m The land use rights of the master site were granted for a term expiring on 29 October 2082 for residential use and on 29 October 2052 for commercial use. (Please refer to Note No. 4 below).	The property was completed in about October 2017 and is currently available for sale.	195,000,000 (One Hundred and Ninety Five Million) 55% interest attributable to the Group: 107,250,000 (One Hundred and Seven Million Two Hundred and Fifty Thousand)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to a Tianjin State-owned Construction Land Grant Contract, entered into between 天津市國土資源和房屋管理局武清區國土資源分局 and 萬城建基置業(天津)有限公司, the land use rights of the master site, with a site area of approximately 159,882.10 square metres were granted to 萬城建基置業(天津)有限公司 at a consideration of RMB239,900,000 for residential use. Details of the Tianjin State-owned Construction Land Grant Contract are listed as follows:

Contract No.	Date of Issue	Permitted Use	Land Use Rights Term	Consideration (RMB)	Site Area (sq.m)
TJ11182012045	2 August 2012	Residential	70 Years	239,900,000	159,882.10

4. Pursuant to a Real Estate Title Certificate, issued by 天津市人民政府 and 天津市國土資源和房屋管理局, the land use rights of the master site with a site area of approximately 159,882.10 square metres were granted to 萬城建基置業(天津)有限公司 for residential use. Details of the Real Estate Title Certificate are listed as follows:

Certificate No.	Date of Issue	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m)
房地證津字第122051500530號	25 August 2015	Residential Commercial	29 October 2082 29 October 2052	159,882.10

5. Pursuant to a Construction Land Use Planning Permit, issued by 天津市武清區規劃局, the land use of the master site was approved.

Details of the Construction Land Use Planning Permit are listed as follows:

Permit No.	Date of Issue	Permitted Use	Site Area (sq.m)
2012武清地證0213	25 October 2012	Residential	159,882.10

6. Pursuant to two Construction Works Planning Permits for the development of these phases, issued by 天津市武清區行政審批局, the development of the subject site was approved.

Details of the Construction Works Planning Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Proposed Gross Floor Area (sq.m)
2015武清住證0002	12 January 2015	18#–24#, 64#, Basement	Residential Basement	83,002.99
2015武清住證0028	20 April 2015	1#–17#, 25#–27#, 65#, Basement, Ancillary Facility	Residential Basement Ancillary Facility	95,443.98
				178,446.97

7. Pursuant to two Construction Works Commencement Permits for the development of these phases, issued by 天津市武清區行政審批局, the commencement of the construction of the subject development was approved.

Details of the Construction Works Commencement Permits are listed as follows:

Permit No.	Portion	Date of Issue	Proposed Gross Floor Area (sq.m)
1201142015033002121	18#–24#, 64#, Basement	30 March 2015	83,002.99
1201142015043003121	1#–17#, 25#–27#, 65#, Basement, Ancillary Facility	30 April 2015	95,443.98
			178,446.97

8. Pursuant to eight Pre-sale Permits, issued by 天津市國土資源和房屋管理局, the pre-sale of a portion of the subject development was permitted.

Details of the Pre-sale Permits are listed as follows:

Permit No.	Date of Issue	Portion	Development	Gross Floor Area (sq.m)
津國土房售許字(2015)第0985–001–005號	27 November 2015	1#–5#	Residential	11,080.68
津國土房售許字(2016)第0163–001–004號	22 March 2016	6#–9#	Residential	8,708.04
津國土房售許字(2015)第0986–001–005號	27 November 2015	10#–12#, 16#, 17#	Residential	11,080.68
津國土房售許字(2016)第0603–001–003號	7 July 2016	13#–15#	Residential	6,335.40
津國土房售許字(2015)第0760–001–004號	17 September 2015	18#, 20#, 23#, 24#	Residential Commercial	36,953.94
津國土房售許字(2015)第0719–001–003號	7 September 2015	19#, 21#, 22#	Residential Commercial	25,187.82
津國土房售許字(2016)第0164–001–003號	22 March 2016	25#–27#	Residential Commercial	26,423.00
津國土房售許字(2017)第0805–001號	15 September 2017	65#	Commercial	2,167.92
				127,937.48

9. Pursuant to thirty one Construction Works Completion Certificates, issued by 天津市武清區建設委員會, the completion of the construction of the subject development was certified.

Details of the Construction Works Completion Certificates are listed as follows:

Certificate No.	Date of Issue	Portion	Gross Floor Area (sq.m)
(武清)備字第2017–581	19 October 2017	1#	2,881.73
(武清)備字第2017–582	19 October 2017	2#	2,840.18
(武清)備字第2017–583	19 October 2017	3#	1,929.93
(武清)備字第2017–584	19 October 2017	4#	2,881.73
(武清)備字第2017–585	19 October 2017	5#	2,840.18
(武清)備字第2017–586	19 October 2017	6#	2,840.18
(武清)備字第2017–587	19 October 2017	7#	2,881.73
(武清)備字第2017–588	19 October 2017	8#	2,881.73
(武清)備字第2017–589	19 October 2017	9#	1,902.32
(武清)備字第2017–590	19 October 2017	10#	1,929.93
(武清)備字第2017–591	19 October 2017	11#	2,881.73
(武清)備字第2017–592	19 October 2017	12#	2,840.18
(武清)備字第2017–593	19 October 2017	13#	1,929.93
(武清)備字第2017–594	19 October 2017	14#	2,840.18
(武清)備字第2017–595	19 October 2017	15#	2,881.73
(武清)備字第2017–596	19 October 2017	16#	2,840.18
(武清)備字第2017–597	19 October 2017	17#	2,811.73
(武清)備字第2017–604	19 October 2017	18#	15,091.55
(武清)備字第2017–605	19 October 2017	19#	8,224.77
(武清)備字第2017–606	19 October 2017	20#	8,291.99
(武清)備字第2017–607	19 October 2017	21#	9,371.77
(武清)備字第2017–608	19 October 2017	22#	9,466.69
(武清)備字第2017–609	19 October 2017	23#	7,248.77
(武清)備字第2017–610	19 October 2017	24#	8,211.56
(武清)備字第2017–611	19 October 2017	Basement	12,109.00
(武清)備字第2017–598	19 October 2017	25#	8,211.56
(武清)備字第2017–599	19 October 2017	26#	9,874.71
(武清)備字第2017–600	19 October 2017	27#	9,188.05
(武清)備字第2017–603	19 October 2017	65#	4,368.00
(武清)備字第2017–601	19 October 2017	Ancillary Facility	1,000.50
(武清)備字第2017–602	19 October 2017	Basement	17,895.86
			173,390.08

As advised by the instructing party, 64# of the subject development has been completed but it is yet to obtain in the Construction Works Completion Certificate. Thus, the total gross floor area of approximately 173,390.08 sq.m does not include that of 64# of the subject development.

10. As advised by the Group, clubhouse of the property is yet to be granted with the respective title certificates of building ownership rights. In the course of our valuation, we have attributed no commercial value to this portion of the property. The reference value of this portion of the property, assuming that it has been granted with a proper title certificate of building ownership rights and it can be freely transferred, as at the Valuation Date is circa RMB46,000,000.

11. The general description and market information of the property are summarized as below:

Location	:	The property is located at o. 123 Jiahe Road, Wuqing District, Tianjin, The PRC.
Transportation	:	Tianjin Binhai International Airport, Tianjin South Railway Station and Tianjin Railway Station are located approximately 40 kilometres, 40 kilometres and 30 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

12. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

(a) 萬城建基置業(天津)有限公司, is the sole legal land use rights holder under the Real Estate Title Certificate of the property (excluding land occupied by the units have been sold and handover or land occupied by the facility built for all proprietors or gratis facility built for the government);

(b) 萬城建基置業(天津)有限公司, in accordance with and subject to the uses under the Real Estate Title Certificate and the State-owned Construction Land Grant Contract, can occupy, use and profit from the land use rights of the property within the land use rights term;

(c) the unsold portion of the property as listed in the opinion prepared by Tian Yuan Law Firm have been mortgaged to 恒生銀行(中國)有限公司天津分行;

(d) in respect of the unsold portion of the property subject to mortgage, certified as completion, 萬城建基置業(天津)有限公司 has the right to occupy, use and profit from it in accordance with the law and the mortgage agreement but the transfer of the such property or any act of disposition against the property, including but not limited to sale, rent, setting up other guarantees, will be restricted by the mortgage agreement before the mortgage is removed;

(e) as confirmed by the Company, the mortgage of certain unsold property has been removed as at 30 September 2018 which the aforesaid restriction on alienation of the property is released; and

(f) 津港(香港)有限公司 currently owns 100% of shares of 萬城建基置業(天津)有限公司.

13. In the course of our valuation of the property, we have considered and analysed the residential, retail and carparking sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the residential sale comparables are ranging from RMB13,683 to RMB19,300 per square metre. The unit rates of the retail sale comparables are ranging from RMB13,143 to RMB20,000 per square metre. The unit rates of the underground carparking sale comparables are ranging from RMB80,000 to RMB140,000 per space. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates for the residential, retail and underground carparking portions of the property are RMB14,000 per square metre, RMB16,500 per square metre and RMB118,000 per space respectively.

Group 4 — Property Interests Held by the Group for Investment in The PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
19	A portion of a composite development, namely Yuehu Ju, located at No. 36 Xiajiao East Road, Huicheng District, Huizhou, Guangdong Province, The PRC	The property comprises a portion of a retail development with a total gross floor area of approximately 2,736.99 square metres. The land use rights of the subject site were granted for a term expiring on 4 March 2074 for composite residential use. (Please refer to Note No. 3 below).	The property was completed in about November 2005 and is currently available for retail leasing.	23,000,000 (Twenty Three Million) 100% interest attributable to the Group: 23,000,000 (Twenty Three Million)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to seven Building Ownership Certificates, issued by 惠州市人民政府, the building ownership rights of the property with a total area of approximately 2,736.99 square metres were legally vested in 惠州漢基房地產開發有限公司.

Details of the Building Ownership Certificates are listed as follows:

Certificate No.	Date	Portion	Land Use Rights Expiry Date	Gross Floor Area (sq.m)
粵房地證字第 C5542922號	14 August 2007	Block A — 1F — Unit 01	4 March 2074	159.22
粵房地證字第 C5542921號	14 August 2007	Block A — 1F — Unit 03	4 March 2074	180.98
粵房地證字第 C5542920號	14 August 2007	Block A — 1F — Unit 04	4 March 2074	188.94
粵房地證字第 C5559372號	14 August 2007	Block A — 1F — Unit 06	4 March 2074	181.46
粵房地證字第 C5559371號	14 August 2007	Block A — 1F — Unit 07	4 March 2074	185.06
粵房地證字第 C5559373號	14 August 2007	Block A — 2F	4 March 2074	1,678.17
粵房地證字第 C5542782號	14 August 2007	Block B — 1F — Unit 106	4 March 2074	163.16
				2,736.99

As confirmed by the instructing party, 3 units including Block A-1F-Unit 03, Block A-1F-Unit 04 and Block A-1F-Unit 07 have been sold up to date of this report.

4. As at the Valuation Date, shops with a total gross floor area of approximately 2,501.83 square metres are subject to tenancies with the existing monthly rental income of approximately RMB91,096.83, exclusive of management fees and other outgoings. The remaining shops with a total gross floor area of approximately 235.16 square metres are currently vacant.

5. The general description and market information of the property are summarized as below:

Location	:	The property is located at No. 36 Xiajiao East Road, Huicheng District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 27 kilometres, 108 kilometres and 48 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

6. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) 惠州漢基房地產開發有限公司 has obtained Building Ownership Certificate of the property and is the sole legal owner of the property who is recognized and protected under the laws of The PRC; and

   (b) 惠州漢基房地產開發有限公司 can legally occupy, use, profit from or by other legal means handle the building ownership rights of the property except for those sold properties.

7. In the course of our valuation of the property, we have considered and analysed the retail sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the 1st floor of retail sale comparables are ranging from RMB11,304 to RMB15,948 per square metre. The unit rates of the 2nd floor of retail sale comparables are ranging from RMB9,872 to RMB11,538 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates of the 1st floor and 2nd floor of the property are RMB10,600 per square metre and RMB7,000 per square metre respectively.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
20	A portion of a commercial development, namely Port Vehicle Inspection Yard Office Building, located at Huifeng 2nd Road, Huicheng District, Huizhou, Guangdong Province, The PRC	The property comprises a portion of a commercial development with a total gross floor area of approximately 711.09 square metres. The land use rights of the subject site were granted for a term expiring on 1 November 2042 for commercial use. (Please refer to Note No. 3 below).	The property was completed in about September 2006 and is currently available for retail and office leasing.	7,000,000 (Seven Million) 100% interest attributable to the Group: 7,000,000 (Seven Million)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to two Building Ownership Certificates, issued by 惠州市人民政府, the building ownership rights of the property with a total area of approximately 711.09 square metres were legally vested in 惠州漢基房地產開發有限公司.

   Details of the Building Ownership Certificates are listed as follows:

Certificate No.	Date	Portion	Land Use Rights Expiry Date	Gross Floor Area (sq.m)
粵房地證字第 C5991463號	9 October 2008	1F — Unit 01	1 November 2042	443.99
粵房地證字第 C5991462號	9 October 2008	2F — Unit 02	1 November 2042	267.10
				711.09

4. As at the Valuation Date, a shop unit and an office unit with a total gross floor area of approximately 711.09 square metres are subject to tenancies with the existing monthly rental income of approximately RMB33,035.00, exclusive of management fees and other outgoings.

5. The general description and market information of the property are summarized as below:

Location	:	The property is located at Huifeng 2nd Road, Huicheng District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 35 kilometres, 100 kilometres and 50 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

6. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) 惠州漢基房地產開發有限公司 has obtained Building Ownership Certificate of the property and is the sole legal owner of the property who is recognized and protected under the laws of The PRC; and

   (b) 惠州漢基房地產開發有限公司 can legally occupy, use, profit from or by other legal means handle the building ownership rights of the property.

7. In the course of our valuation of the property, we have considered and analysed the retail and office sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of retail sale comparables are ranging from RMB15,385 to RMB18,750 per square metre. The unit rates of office sale comparables are ranging from RMB6,000 to RMB8,011 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rates of the retail and office portion of property are RMB13,100 per square metre and RMB4,600 per square metre respectively.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
21	A portion of a residential development, namely Jinbao Venture Home, located at No. 1 Hechang 5th Road West, Huicheng District, Huizhou, Guangdong Province, The PRC	The property comprises a portion of a residential development with a total gross floor area of approximately 216.00 square metres. The land use rights of the subject site were granted for a term expiring on 20 April 2071 for residential use. (Please refer to Note No. 3 below).	The property was completed in about January 2007 and is currently available for residential leasing.	1,300,000 (One Million Three Hundred Thousand) 100% interest attributable to the Group: 1,300,000 (One Million Three Hundred Thousand)

Notes:

1. The property was inspected by Claudia Yip *MRICS* on 8 November 2018.

2. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

3. Pursuant to two Building Ownership Certificates, issued by 惠州市人民政府, the building ownership rights of the property with a total area of approximately 216.00 square metres were legally vested in 惠州漢基房地產開發有限公司.

   Details of the Building Ownership Certificates are listed as follows:

Certificate No.	Date	Portion	Land Use Right Expiry Date	Gross Floor Area (sq.m)
粵房地證字第C5541798號	5 September 2007	Block D2 — Unit 1501	20 April 2071	110.97
粵房地證字第C5541797號	5 September 2007	Block D2 — Unit 1502	20 April 2071	105.03
				216.00

4. As at the Valuation Date, two residential units with a total gross floor area of approximately 216.00 square metres are subject to tenancies with the existing monthly rental income of approximately RMB4,000.00, exclusive of management fees and other outgoings.

5. The general description and market information of the property are summarized as below:

Location	:	The property is located at No. 1 Hechang 5th Road West, Huicheng District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 34 kilometres, 100 kilometres and 50 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

6. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) 惠州漢基房地產開發有限公司 has obtained Building Ownership Certificate of the property and is the sole legal owner of the property who is recognized and protected under the laws of The PRC; and

   (b) 惠州漢基房地產開發有限公司 can legally occupy, use, profit from or by other legal means handle the building ownership rights of the property.

7. In the course of our valuation of the property, we have considered and analysed the residential sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of residential sale comparables are ranging from RMB5,526 to RMB6,182 per square metre. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, age, size and quality, etc. The adopted unit rate of the of property are RMB6,019 per square metre.

Group 5 — Property Interests Leased by the Group for Its Own Use in The PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
22	A portion of residential development, namely Kaiyuan City, located at No. 5 Baiyun 2nd Road, Huiyang District, Huizhou, Guangdong Province, The PRC	The property comprises 14 residential units. As advised by the instructing party, the property is currently used as dormitory	The property is currently leased by the Group for own use.	No Commercial Value 100% interest attributable to the Group: No Commercial Value

Notes:

1. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

2. According to the instructing party, the property is subject to a tenancy agreement dated 25 February 2016 and a supplementary tenancy agreement entered into between 惠州市創基實業有限公司 as a lessor and 惠州怡展房地產開發有限公司 as a lessee. The key tenancy terms are summarized below:

Item	Details
Unit:	Units 20E, 21A, 21B, 21C, 21E, 21G, 21H, 22A, 22B, 22H, 23A, 23B, 23C, 23E, 23H
Tenure:	1 July 2018 to 30 Jan 2020
Rent:	RMB8,446 per month
Other Outgoings:	Nil

3. The general description and market information of the property are summarized as below:

Location	:	The property is located at No. 5 Baiyun 2nd Road, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 22 kilometres, 115 kilometres and 45 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

4. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) Lessee's right under the tenancy agreement cannot counter the property owner or other authorized persons, as lessor has not provided legally valid title certificate of the subject property.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
23	A portion of a residential development, namely Jiangnan Yudu, located at No. 3 Huize Avenue, Huicheng District, Huizhou, Guangdong Province, The PRC	The property comprises a residential unit.	The property is currently leased by the Group for own use.	No Commercial Value 100% interest attributable to the Group: No Commercial Value

Notes:

1. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

2. The property is subject to a tenancy agreement dated 14 June 2018 entered into between 劉龍康 as a lessor and 惠州漢基房地產開發有限公司 as a lessee. The key tenancy terms are summarized below:

Item	Details
Unit:	Unit 1401 in Block 1, Building 1 (粵房地權證惠州字第1100115802號)
Tenure:	12 April 2018 to 11 April 2019
Rent:	RMB1,500 per month
Other Outgoings:	Exclusive of Taxes, Property Management Fee, Utility Charges, Sanitation Fee, Public Security Fee, Cable TV Fee, Broadband Fee and other related fee

3. The general description and market information of the property are summarized as below:

Location	:	The property is located at No. 3 Huize Avenue, Huicheng District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 83 kilometres and 7 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

4. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) The tenancy agreement is legally valid and binding for both parties as the lessor has provided legally valid title certificate of the subject property. The lessee has the right to occupy and use the leased property in accordance with tenancy agreement.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
24	A portion of a residential development, namely Bixi Qiuyuan, located at Jiahe Road, Wuqing District, Tianjin, The PRC	The property comprises a unit with a gross floor area of approximately 110.00 square metres.	The property is currently leased by the Group for own use.	No Commercial Value 55% interest attributable to the Group: No Commercial Value

Notes:

1. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

2. The property is subject to a tenancy agreement dated 1 June 2018 entered into between 王文雅 as a lessor and 萬城建基置業(天津)有限公司 as a lessee. The key tenancy terms are summarized below:

Item	Details
Unit:	Unit 202 in Block 2, Building 13
Area:	110.00 square metres
Tenure:	14 June 2018 to 13 June 2019
Rent:	RMB1,100 per month
Other Outgoings:	Nil

3. The general description and market information of the property are summarized as below:

Location	:	The property is located at Jiahe Road, Wuqing District, Tianjin, The PRC.
Transportation	:	Tianjin Binhai Airport, Tianjin South Railway Station and Tianjin Railway Station are located approximately 40 kilometres, 38 kilometres and 28 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

4. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) Lessee's right under the tenancy agreement cannot counter the property owner or other authorized persons, as lessor has not provided legally valid title certificate of the subject property.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
25	A portion of a residential development, namely Bixi Qiuyuan, located at Jiahe Road, Wuqing District, Tianjin, The PRC	The property comprises a unit with a gross floor area of approximately 120.00 square metres.	The property is currently leased by the Group for own use.	No Commercial Value 55% interest attributable to the Group: No Commercial Value

Notes:

1. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

2. The property is subject to a tenancy agreement dated 1 June 2018 entered into between 商宗祥 as a lessor and 萬城建基置業(天津)有限公司 as a lessee. The key tenancy terms are summarized below:

Item	Details
Unit:	Unit 401 in Block 3, Building 18
Area:	120.00 square metres
Tenure:	4 June 2018 to 3 June 2019
Rent:	RMB1,200 per month
Other Outgoings:	Nil

3. The general description and market information of the property are summarized as below:

Location	:	The property is located at Jiahe Road, Wuqing District, Tianjin, The PRC.
Transportation	:	Tianjin Binhai Airport, Tianjin South Railway Station and Tianjin Railway Station are located approximately 40 kilometres, 38 kilometres and 28 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

4. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) Lessee's right under the tenancy agreement cannot counter the property owner or other authorized persons, as lessor has not provided legally valid title certificate of the subject property.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
26	A portion of a residential development, namely Shanghe Yayuan, located at Quanfa Road, Wuqing District, Tianjin, The PRC	The property comprises a unit with a gross floor area of approximately 102.78 square metres.	The property is currently leased by the Group for own use.	No Commercial Value 55% interest attributable to the Group: No Commercial Value

Notes:

1. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

2. The property is subject to a tenancy agreement dated 18 August 2018 entered into between 張筱琴 as a lessor and 萬城建基置業(天津)有限公司 as a lessee. The key tenancy terms are summarized below:

Item	Details
Unit:	Unit 33–2–201
Area:	102.78 square metres
Tenure:	31 August 2018 to 1 March 2019
Rent:	RMB2,800 per month
Other Outgoings:	Nil

3. The general description and market information of the property are summarized as below:

Location	:	The property is located at Quanfa Road, Wuqing District, Tianjin, The PRC.
Transportation	:	Tianjin Binhai Airport, Tianjin South Railway Station and Tianjin Railway Station are located approximately 50 kilometres, 45 kilometres and 35 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

4. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) The tenancy agreement is legally valid and binding for both parties as the lessor has provided legally valid title certificate of the subject property. The lessee has the right to occupy and use the leased property in accordance with tenancy agreement.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
27	A portion of a residential development, namely Junli Garden, located at Zhuzhuang Jiedao, West of Jingjin Highway, Wuqing District, Tianjin, The PRC	The property comprises a residential unit with a gross floor area of approximately 94.44 square metres.	The property is currently leased by the Group for own use.	No Commercial Value 55% interest attributable to the Group: No Commercial Value

Notes:

1. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

2. According to the instructing party, the property is subject to a tenancy agreement dated 17 August 2018 entered into between 張秋萍 as a lessor and 萬城建基置業(天津)有限公司 as a lessee. The key tenancy terms are summarized below:

Item	Details
Unit:	Unit 8–1–2502
Area:	94.44 square metres
Tenure:	20 August 2018 to 19 August 2019
Rent:	RMB1,300 per month
Other Outgoings:	Exclusive of Utility Charges, Property Management Fee and other related fee

3. The general description and market information of the property are summarized as below:

Location	:	The property is located at Zhuzhuang Jiedao Xiguang Road, Wuqing District, Tianjin, The PRC
Transportation	:	Tianjin Binhai Airport, Tianjin South Railway Station and Tianjin Railway Station are located approximately 40 kilometres, 35 kilometres and 26 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

4. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) The tenancy agreement is legally valid and binding for both parties as the lessor has provided legally valid title certificate of the subject property. The lessee has the right to occupy and use the leased property in accordance with tenancy agreement.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
28	A portion of a composite development, located at No. 8 Longhe East Road, Huicheng District, Huizhou, Guangdong Province, The PRC	The property comprises an office unit with a gross floor area of approximately 458.03 square metres.	The property is currently leased by the Group for own use.	No Commercial Value 100% interest attributable to the Group: No Commercial Value

Notes:

1. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

2. The property is subject to a tenancy agreement dated 1 June 2018 entered into between 惠州南旋毛織廠有限公司 as a lessor and 萬城建設(中國)有限公司 as a lessee. The key tenancy terms are summarized below:

Item	Details
Unit:	6/F., Block 5
Area:	458.03 square metres
Tenure:	1 July 2018 to 30 June 2019
Rent:	RMB5,954.39 per month
Other Outgoings:	Inclusive of Taxes, Property Management Fee and other related fee

3. The general description and market information of the property are summarized as below:

Location	:	The property is located at No. 8 Longhe East Road, Huicheng District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 25 kilometres, 120 kilometres and 45 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

4. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) The tenancy agreement is legally valid and binding for both parties as the lessor has provided legally valid title certificate of the subject property. The lessee has the right to occupy and use the leased property in accordance with tenancy agreement.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
29	A portion of a residential development, namely The Palm, located at No. 1 Golf Road, Huiyang District, Huizhou, Guangdong Province, The PRC	The property comprises a unit. As advised by the instructing party, the property is currently used as dormitory.	The property is currently leased by the Group for own use.	No Commercial Value 100% interest attributable to the Group: No Commercial Value

Notes:

1. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

2. The property is subject to a tenancy agreement dated 4 January 2018 entered into between 林振忠 as a lessor and 惠州怡展房地產開發有限公司 as a lessee. The key tenancy terms are summarized below:

Item	Details
Unit:	Unit A, 3/F
Tenure:	26 January 2018 to 25 January 2019
Rent:	RMB4,000 per month
Other Outgoings:	Nil

3. The general description and market information of the property are summarized as below:

Location	:	The property is located at No. 1 Golf Road, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 85 kilometres and 10 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

4. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) Lessee's right under the tenancy agreement cannot counter the property owner or other authorized persons, as lessor has not provided legally valid title certificate of the subject property.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
30	A portion of a mixed-use development, namely Million Cities Legend, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	The property comprises an residential unit. As advised by the instructing party, the property is currently used as dormitory.	The property is currently leased by the Group for own use.	No Commercial Value 54.5% interest attributable to the Group: No Commercial Value

Notes:

1. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

2. The property is subject to a tenancy agreement dated 31 August 2018 entered into between 陳惠娜 as a lessor and 惠州市萬城房地產開發有限公司 as a lessee. The key tenancy terms are summarized below:

Item	Details
Unit:	Unit 1102, Block 1
Tenure:	1 September 2018 to 31 March 2019
Rent:	RMB1,400 per month
Other Outgoings:	Exclusive of Utility Charges, Sanitation Fee, Cable TV Fee and other related fee

3. The general description and market information of the property are summarized as below:

Location	:	The property is located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 85 kilometres and 8 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

4. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) Lessee's right under the tenancy agreement cannot counter the property owner or other authorized persons, as lessor has not provided legally valid title certificate of the subject property.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2018 RMB
31	A portion of a mixed-use development, namely Million Cities Legend Phase 1, located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC	The property comprises an residential unit. As advised by the instructing party, the property is currently used as dormitory.	The property is currently leased by the Group for own use.	No Commercial Value 54.5% interest attributable to the Group: No Commercial Value

Notes:

1. The valuation of the property was prepared by Hannah Jeong *MHKIS MRICS RPS(GP)* and Claudia Yip *MRICS*.

2. The property is subject to a tenancy agreement dated 23 July 2018 entered into between 林江偉 as a lessor and 惠州市萬城房地產開發有限公司 as a lessee. The key tenancy terms are summarized below:

Item	Details
Unit:	Unit 1302, Block 1
Tenure:	24 July 2018 to 23 January 2019
Rent:	RMB1,500 per month
Other Outgoings:	Exclusive of Utility Charges, Sanitation Fee, Cable TV Fee and other related fee

3. The general description and market information of the property are summarized as below:

Location	:	The property is located at Jinhui Avenue, Huiyang District, Huizhou, Guangdong Province, The PRC.
Transportation	:	Huizhou Pingtan Airport, Shenzhen Bao'an International Airport and Huizhou South Railway Station are located approximately 45 kilometres, 85 kilometres and 8 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately residential area.

4. We have been provided with a legal opinion regarding the property by Tian Yuan Law Firm, which contains, *inter alia*, the following:

   (a) Lessee's right under the tenancy agreement cannot counter the property owner or other authorized persons, as lessor has not provided legally valid title certificate of the subject property.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 November 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 26 November 2018. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resigns;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii)is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' (and not less than 20 clear business days') notice in writing, and any other general meeting of the Company shall be called by at least 14 days' (and not less than 10 clear business days') notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

Extraordinary general meetings shall be convened on the requisition of one or more members holding, as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors'remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 15 November 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Cayman Companies Law;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders'suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.11 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.12 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.13 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

3.14 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.15 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.16 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.17 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.18 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated on 15 November 2016 in the Cayman Islands under the Companies Law as an exempted company with limited liability. Accordingly, our Company's corporate structure and Articles are subject to relevant laws of the Cayman Islands. A summary of our Articles and Memorandum of Association is set out in Appendix IV to this prospectus. Our registered office is at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our principal place of business in Hong Kong is at Unit 2302, 23/F, New World Tower 1, 18 Queen's Road Central, Central, Hong Kong.

Our Company has lodged an application as a non-Hong Kong company under Part 16 of the Companies Ordinance on 21 June 2018. Mr. George Lau, whose correspondence address is House 37, Tycoon Place, 38 Lo Fai Road, Tai Po, N.T. Hong Kong, and Ms. Lau Pui Kwan, whose correspondence address is Flat 1419, Yan Hei House, Yan On Estate, Ma On Shan, N.T. Hong Kong, have been appointed as our authorised representatives for the acceptance of service of process in Hong Kong.

2. Changes in authorised and issued share capital of our Company

The authorised share capital of our Company as at the date of its incorporation on 15 November 2016 was HK$10,000 divided into 1,000,000 Shares with a par value of HK$0.01 each. One fully paid Share was allotted and issued at par value to an initial subscriber and such Share was subsequently transferred to Mr. TC Wong on the same day.

On 7 June 2018, Fortune Speed, which was incorporated in the BVI by Winnermax Management, acquired 100% equity interest in our Company from Mr. TC Wong for a consideration of HK$0.01. The consideration was determined with reference to the nominal value of the shares of our Company and such acquisition was completed on 7 June 2018. As a result of such acquisition, our Company became a wholly owned subsidiary of Fortune Speed.

On 9 June 2018, Fortune Speed transferred its 100% equity interest in Million Cities BVI to our Company at a total consideration by way of issuance of 1 new Share in our Company to Fortune Speed. Such transfer was completed on 9 June 2018. As a result of such transfer, Million Cities BVI become a wholly-owned subsidiary of our Company.

Pursuant to the written resolutions of the shareholder(s) of our Company passed on 26 November 2018, the authorised share capital of our Company has increased to HK$20,000,000 divided into 2,000,000,000 Shares, of which 750,000,000 Shares will be issued fully paid or credited as fully paid, and 1,250,000,000 Shares will remain unissued.

The Shareholders' loans in a total sum of HK$543,501,333.24 (together with the accrued interests up to the date of 31 October 2018) shall be novated from the retiring borrowers to the Company, and shall be capitalised and settled in full by the issuance of an aggregate number of 9,998 new Shares in the capital of our Company to Fortune Speed.

Save as disclosed above, there has been no other alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries

Our subsidiaries are referred to in the Accountants' Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History and Reorganisation" in this prospectus, our Company has no other subsidiaries.

There has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Resolutions in writing of the shareholder(s) passed on 26 November 2018

Pursuant to the written resolutions of the shareholder(s) of our Company passed on 26 November 2018, subject to the conditions of the Global Offering as set out in this prospectus having been fulfilled and the obligations of the Underwriters under the Underwriting Agreements having become unconditional (including, if relevant, as a result of the waiver of any condition(s) thereunder by the Sole Global Coordinator for itself and on behalf of the Underwriters) and such obligations not having been terminated in accordance with their respective terms:

(a) our Company approved and adopted the Memorandum and Articles of Association, which will come into effect upon Listing;

(b) the Listing, the Global Offering, the Capitalisation Issue, the Loan Capitalisation and the Over-Allotment Option was approved, subject to such modifications as our Directors (or any committee established by the Board) may in their sole discretion determine, and our Directors or any committee established by the Board were authorised to do all such things as they consider necessary to give effect to the Listing, the Global Offering, the Capitalisation Issue, the Loan Capitalisation and the Over-Allotment Option;

(c) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Other information — 1. Share Option Scheme" below in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for the Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all actions as they consider necessary or desirable to implement the Share Option Scheme;

(d) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warranties or similar rights to subscribe for Shares or such convertible securities and to make or grant general offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles; (c) a specific authority granted by the shareholders in general meeting, shall not exceed the aggregate of (i) 20% (i.e. 150,000,000 Shares) of the total number of Shares in issue immediately following completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (excluding any Shares to be issued upon the Over-Allotment Option and any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme; and (ii) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (e) below, such mandate to remain effective during the period from the passing of the resolution until the conclusion of our next annual general meeting, or the expiration of the period within which we are required by any applicable law or Articles to hold our next annual general meeting or the date on which the resolution is varied or revoked by any ordinary resolution of the shareholders in the general meeting, whichever occurs first (the "**Applicable Period**");

(e) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% (i.e. 75,000,000 Shares) of the total number of Shares in issue immediately following completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (excluding any Shares to be issued upon the Over-Allotment Option and any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme, such mandate to remain effective during the Applicable Period); and

(f) the general unconditional mandate mentioned in paragraph (d) above to be extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate repurchase Shares referred to in paragraph (e) above, provided that such extended amount shall not exceed 10% (i.e. 75,000,000 Shares) of the aggregate number of Shares in issue immediately following the completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (excluding any Shares to be issued upon the Over-Allotment Option and any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme).

5. Corporate reorganisation

For details of the Reorganisation effected in preparation for the Global Offering, please refer to the section headed "History and Reorganisation" in this prospectus.

6. Share Repurchase Mandate

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(b) Shareholder approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction. On 26 November 2018, our Directors were granted a general unconditional mandate to repurchase up to 10% (i.e. 75,000,000 Shares) of the aggregate number of Shares in issue immediately following completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earlier of (i) the conclusion of our next annual Shareholders' general meeting, and (ii) such mandate being revoked or varied by ordinary resolutions of our Shareholders in a general meeting (the "**Relevant Period**").

(c) Source of funds

Our repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement other than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, we may make repurchases with profits of our Company, out of the share premium account or out of the proceeds of a new issuance of shares made for the purpose of the repurchase or, if authorised by our Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by our Articles of Association and subject to the Cayman Companies Law, out of capital.

(d) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each ease ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(e) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange on the business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of Shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(f) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the listed company on the Stock Exchange.

(g) Reasons for repurchase

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(h) Funding of repurchase

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum and Articles of Association, Companies Law or any other applicable laws of Cayman Islands and the Listing Rules. On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for us.

(i) Share capital

The exercise in full of the current repurchase mandate, on the basis of 750,000,000 Shares in issue immediately following completion of Global Offering, the Loan Capitalisation and the Capitalisation Issue but before any exercise of the Over-allotment Option and excluding any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme, could accordingly result in up to 75,000,000 Shares being repurchased by us during the Relevant Period.

(j) General

None of our Directors nor, to the best of their knowledge, having made all reasonable inquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, the Companies Law and any other applicable laws of the Cayman Islands. If, as a result of any repurchase of our Shares pursuant to the repurchase mandate, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders interest, could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which could arise under the Takeovers Code if the repurchase mandate is exercised. No connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this prospectus and are or may be material:

(a) the deed of indemnity dated 30 November 2018, entered into among the Controlling Shareholders and our Company;

(b) the deed of non-competition dated 30 November 2018, entered into among the Controlling Shareholders and our Company; and

(c) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration period
1.	万城	36	Million Cities HK	PRC	6257928	7 September 2010– 6 September 2020
2.		36	Million Cities HK	PRC	9008283	14 March 2012– 13 March 2022
3.	MILLION CITY	36	Million Cities HK	PRC	9008445	14 March 2012– 13 March 2022
4.	万城建基 WAN CHENG JIAN JI	36	Join Kong	PRC	9003120	14 January 2012– 13 January 2022
5.	MILLION CITIES	36	Million Cities HK	PRC	24948874	28 June 2018– 27 June 2028
6.		36	Million Cities HK	PRC	24936716	28 June 2018– 27 June 2028

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be material to our business:

No.	Trademark	Class	Applicant	Place of application	Date of application	Application number
1.	建基	36	Join Kong	PRC	30 May 2011	9531003
2.		35, 36	Million Cities Holdings Limited	HK	28 June 2018	304578904
3.	萬城	35, 36	Million Cities Holdings Limited	HK	28 June 2018	304578959
4.	MILLION CITIES	35, 36	Million Cities Holdings Limited	HK	28 June 2018	304579002
5.	万城国际	36	Million Cities HK	PRC	4 September 2007	6257929

(b) Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be material to our business:

No.	Domain name	Registered owner	Date of registration	Expiry date
1.	millioncities.com.cn	Million Cities WFOE	6 December 2007	6 October 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and short positions of the Directors and the chief executive in the Shares, underlying shares or debentures of our Company and our associated corporations

Immediately following completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (assuming that the Over-Allotment Option is not exercised and excluding any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), so far as our Directors are aware, the interests or short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed, will be as follows:

(i) Long positions in our Shares

Name	Nature of interest(s)[1]	Interest in Shares	Approximate percentage of issued share capital
Mr. TC Wong[2]	Beneficiary of a trust	750,000,000	75%
Mr. George Lau[3]	Interest of spouse	750,000,000	75%

Notes:

(1) All interest stated are long positions.

(2) Mr. TC Wong is the settlor, the protector and one of the beneficiaries of the Happy Family Trust and therefore is deemed to be interested in the Shares held in the Happy Family Trust under the SFO.

(3) Mr. George Lau is the spouse of Ms. Wong Wai Ling.

(ii) Long position in the ordinary shares of our associated corporations

Name of Director	Name of associated corporation	Capacity/Nature of interest	Amount of registered capital subscribed	Approximate percentage of issued share capital
Mr. TC Wong	Huizhou Yuefu	Beneficial owner	RMB19.76 million	4.99%
Mr. Lin Guoxian	Huizhou Yuefu	Legal owner	RMB19.76 million	4.99%
Mr. TC Wong	Huizhou Million Cities	Beneficial owner	RMB2.625 million	5%
Mr. Lin Guoxian	Huizhou Million Cities	Legal owner	RMB2.625 million	5%

Note:

The amount of registered capital subscribed will be fully settled by no later than 31 December 2028 pursuant to the written board resolutions of Huizhou Yuefu and Huizhou Million Cities dated 25 June 2018 and 22 June 2018, respectively.

(b) Interests of and short positions of the substantial shareholders in the Shares, underlying shares or debentures of our Company and our associated corporations

Our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any associated corporations of our Company. For further details, please refer to the section headed "Substantial Shareholders" in this prospectus.

2. Particulars of service contracts

Each of our executive Directors, Mr. George Lau, Mr. Wong Ka Lun, Ms. Lau Pui Kwan and Mr. Lin Guoxian will enter into a service agreement with our Company with an initial term of three years commencing on the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salary set out below.

Each of our independent non-executive Directors will enter into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our independent non-executive Directors is appointed with an initial term of three years commencing on the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any members of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Director's remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) incurred for the years ended 31 December 2015, 2016, 2017 and for the six months ended 30 June 2018 was approximately RMB1.74 million, RMB1.94 million, RMB2.6 million and RMB2.14 million, respectively.

Save as the disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended 31 December 2015, 2016, 2017 and for the six months ended 30 June 2018.

Pursuant to the existing arrangements that are in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending 31 December 2018 is estimated to be approximately RMB4.48 million in aggregate.

4. Agent fees or commissions received

Save in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the section headed "Qualification of experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan or any share or loan capital of our Company or any member of our Group within two years preceding the date of this prospectus.

5. Disclaimers

(i) There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation) between the Directors and member of our Group. For further details, please refer to the sub-paragraph headed "Particulars of service contracts" in the paragraph headed "Further information about our Directors and Substantial Shareholders" in this Appendix;

(ii) none of our Directors nor any of the parties listed in the paragraph headed "Qualification of experts" of this Appendix is interested in our 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 any member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any member of our Group;

(iii) none of our Directors or chief executive of our Company has any interests and short position in the shares, underlying shares and debentures of our Company or our associated incorporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or 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 of Listed Issuers to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange For further details, please refer to the paragraph headed "Further information about our Directors and Substantial Shareholders" in this Appendix;

(iv) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall 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 is, directly or indirectly, interested in 10% or more of the nominal value of any class of Shares or share capital carrying rights to vote in all circumstance at general meetings of any other member of our Group. For further details, please refer to the paragraph headed "Further information about our Directors and Substantial Shareholders" in this Appendix;

(v) none of our Directors nor any of the parties listed in the paragraph headed "Qualification of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business in our Group;

(vi) none of the parties listed in the paragraph headed "Qualification of experts" in this Appendix: (a) is interested legally or beneficially in any of our Shares or any shares in any member of our Group; or (b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(vii) none of our Directors or their respective close associates (as defined under the Listing Rules) or any Shareholders of our Company, who to the knowledge of our Directors, holding more than 5% of our issued share capital has any interest in our five largest suppliers or our five largest customers. For further details, please refer to the paragraphs headed "Customers" and "Suppliers" under the section headed "Business" in this prospectus.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholder(s) passed on 26 November 2018.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK$1 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in a general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), being 750,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, and/or other information required under the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), and/or other information required under the Listing Rules; and

(ii) the approval of our Shareholders in general meeting with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered in writing to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;

(gg) the date of the expiry of the option in respect of that option; and

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue on the date of such grant; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders'meeting and the date of Board meeting for proposing such further grant which shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of results for (i) any year or half-year period in accordance with the Listing Rules, and (ii) where the Company has elected to publish them, any quarterly or other interim period, and ending on the date of actual publication of the results announcement, and

(iii) where an option is granted to a Director:

(aa) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(bb) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him/her or any other relating to the grant of an option made to him or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time commencing the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period commencing on the Listing Date and ending on the tenth anniversary of the Listing Date (both dates inclusive), after which no further options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

In the event of the grantee of an option ceasing to be an Eligible Participant for any reason other than on his/her death, ill-health, injury, disability or the termination of his/her relationship with our Company and/or any of our subsidiaries on the grounds specified in paragraph (m), the grantee may exercise the option up to his/her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his/her employment with our Company or any of our subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not).

In the case of the grantee of an option ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his/her relationship with our Company and/or any of our subsidiaries under paragraph (m) has occurred, the grantee or his/her personal representative(s) shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised).

(m) Rights on dismissal

In the event of the grantee of an option ceasing to be an Eligible Participant by reason of the termination of his/her relationship with our Company and/or any of our subsidiaries on any one or more of the following grounds:

(i) that he/she has been guilty of serious misconduct;

(ii) that he/she has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of our Company and/or any of our subsidiaries;

(iii) that he/she has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally; or

(iv) on any other ground as determined by the Board that would warrant the termination of his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary,

his/her option will lapse automatically and not be exercisable (to the extent not already exercised) from the date of cessation of being an Eligible Participant.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror (as defined in the Takeovers Code)), our Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them, Shareholders). If such offer becomes or is declared unconditional, the grantee of an option (or his/her legal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the Companies Law, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will subject to all the provisions of the Articles and rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an approved independent financial adviser shall (other than in respect of an adjustment made on a capitalisation issue) certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and/or such other requirements prescribed under the Listing Rules from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe had he exercised all the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group, or has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground as determined by the Board that would warrant the termination of his or her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme),

shall first be approved by our Shareholders in general meeting provided that the amended terms of the Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Listing Rules, and if the proposed alteration shall adversely affect the terms of issue of any option granted or agreed to be granted prior to the date of alteration, or reduce the proportion of equity capital to which any person was entitled pursuant to such option prior to such alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme.

(u) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or of the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Global Coordinator acting for and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the adoption date of the Share Option Scheme:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

2. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

3. Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and the permission to deal in, the Shares in issue and the Shares to be issued or sold as mentioned in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-Allotment Option). The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees payable to the Sole Sponsor in respect of its services as sponsor for the Listing are approximately HK$3.8 million and are payable by us.

5. Preliminary expenses

The preliminary expenses of our Company are approximately US$2,675 and are payable by us.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of shares registered with our Hong Kong branch register or members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the value of the shares being sold or transferred. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of shares in the Company.

(c) Consultation with professional advisers

Potential investors in the Global Offering are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our shares (or exercising rights attached to them). None of our Company, our Directors or the other parties involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our shares.

8. 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 Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

9. Binding effect

This prospectus shall have effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Qualification of experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who gave opinions or advice which are contained in this prospectus:

Name	Qualifications
China Everbright Capital Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
KPMG	Certified Public Accountants
Tian Yuan Law Firm	PRC legal adviser
Harney Westwood & Riegels	Cayman Islands legal adviser
Colliers International (Hong Kong) Limited	Industry consultant
Colliers International (Hong Kong) Limited	Property valuer

11. Consent of experts

Each of the experts as referred to in the section headed "Qualification of experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of experts named above has any shareholders' interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group.

12. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2018 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

13. Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

(i) neither our Company, nor any member of our Group has issued or agreed to issue any share or loan or any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) neither our Company, nor any member of our Group has granted or agreed to grant commissions, discounts, brokerages or other special terms in connection with the issues or sale of any share or loan or any share or loan capital;

(iii) no commissions had been paid or payable (except commission to the Underwriters) to any person for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any member of our Group;

(b) no share or loan or share or loan capital of our Company, or any member of our Group is under opinion or is agreed conditionally or unconditionally to be put under option;

(c) no founder, management or deferred shares of our Company or any member of our Group have been issued or agreed to be issued;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) none of the persons named in the sub-paragraph headed "Qualification of experts" in the paragraph headed "Other information" in this appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for nay securities in any member of our Group;

(f) there is no arrangement under which the future dividends are waived or to be waived;

(g) our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus;

(h) our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. All transfer and other documents of title of the Shares must be lodged for registration with and registered by our register in Hong Kong. All necessary arrangements have been made to enable the Shares to be admitted to CCASS; and

(i) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents refer to the paragraph headed "Appendix V — Statutory and general information — Other information — Consent of experts" in this Prospectus; and

(c) particulars of the material contracts refer to the paragraph headed "Appendix V — Statutory and general information — Further information about our business — Summary of material contracts" in this Prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of William Ji & Co. (in Association with Tian Yuan Law Firm Hong Kong Office) at Suite 702, 7/F, Two Chinachem Central, 26 Des Voeux Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this Prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountants' Report for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 prepared by KPMG, Certified Public Accountants, Hong Kong, the text of which is set out in "Appendix I — Accountants' report" to this Prospectus;

(c) the audited financial statements of companies comprising our Group for the years ended 31 December 2015, 2016 and 2017;

(d) the report on unaudited pro forma financial information from KPMG, Certified Public Accountants, Hong Kong, the text of which is set out in "Appendix II — Unaudited pro forma financial information" to this Prospectus;

(e) the letter of advice prepared by Harney Westwood & Riegels summarising certain aspects of the Cayman Islands company law as refer to the paragraph headed "Appendix IV — Summary of the constitution of our Company and Cayman Companies Law" in this Prospectus;

(f) the Cayman Companies Law;

(g) the material contracts refer to the paragraph headed "Appendix V — Statutory and general information — Further information about our Business — Summary of the material contracts" in this Prospectus;

(h) the service contracts with directors, refer to the paragraph headed "Appendix V — Statutory and general information — Further information about our Directors and Substantial Shareholders — Particulars of service contracts" in this Prospectus;

(i) the rules of the Share Option Scheme;

(j) the industry report issued by Colliers;

(k) the written consents refer to the paragraph headed "Appendix V — Statutory and general information — Other information — Consents of experts" in this Prospectus; and

(l) the legal opinion prepared by Tian Yuan Law Firm, our legal adviser as to PRC law, in respect of certain aspects of our Group and our property interests in the PRC.

萬城
MILLION CITIES

萬城控股有限公司
Million Cities Holdings Limited