巨匠建设
JUJIANG CONSTRUCTION GROUP

Jujiang Construction Group Co., Ltd.
巨匠建設集團股份有限公司

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

Stock Code: 1459

GLOBAL OFFERING

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**133,360,000 H Shares (subject to the Over-allotment Option)**
Number of International Offer Shares	**:**	**120,024,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**13,336,000 H Shares (subject to adjustment)**
Offer Price	**:**	**Not more than HK$1.45 per H Share and expected to be not less than HK$1.25 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**1459**

Sole Sponsor

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國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

Co-Lead Manager

智 華 證 券 有 限 公 司
Supreme China Securities Limited

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

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

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 5 January 2016 (Hong Kong Time) and, in any event, not later than Friday, 8 January 2016 (Hong Kong Time). The Offer Price will be not more than HK$1.45 and is currently expected to be not less than HK$1.25. If, for any reason, the Offer Price is not agreed by Friday, 8 January 2016 (Hong Kong Time) between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Investors applying for Offer Shares must pay, on application, the maximum Offer Price of HK$1.45 per H Share, unless otherwise announced, together with brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% subject to refund if the Offer Price finally determined is lower than HK$1.45 per H Share.

The Sole Global Coordinator (on behalf of the Underwriters) may, with the consent of the Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as well as at our website www.jujiang.cn and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares."

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Hong Kong Stock Exchange. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

30 December 2015

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2]	11:30 a.m. on Tuesday, 5 January 2016
Application lists open[3]	11:45 a.m. on Tuesday, 5 January 2016
Latest time to lodge **WHITE** and **YELLOW** Application Forms and give electronic application instructions to HKSCC[4]	12:00 noon on Tuesday, 5 January 2016
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 5 January 2016
Application lists close	12:00 noon on Tuesday, 5 January 2016
Expected Price Determination Date	Tuesday, 5 January 2016
Announcement of the Offer Price	Monday, 11 January 2016

Announcement of:

- 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 (a) in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese); (b) on our website at **www.jujiang.cn**[5] and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** on .... Monday, 11 January 2016

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, or business registration numbers, where appropriate) to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares – 11. Publication of Results") from	Monday, 11 January 2016
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function	Monday, 11 January 2016

H Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on(6) . . . . .Monday, 11 January 2016

White Form e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on(6)(7)(8) . . . . .Monday, 11 January 2016

Dealings in H Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . Tuesday, 12 January 2016

Notes:

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

(2) 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. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 January 2016, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists." If the application lists do not open and close on Tuesday, 5 January 2016, the dates mentioned in "Expected Timetable" may be affected. A press announcement will be made by us in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS."

(5) None of the website or any of the information contained on the website forms part of this Prospectus.

(6) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Forms may collect their H Share certificates (where applicable) or refund cheque (where applicable) from our H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 11 January 2016. Applicants being individuals who opt for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his/her corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to H Share Registrar. Uncollected refund cheques and H Share certificates will be despatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in "How to Apply for Hong Kong Offer Shares."

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

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

The H Share certificates will only become valid certificates of title provided that: (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its respective terms prior to 8:00 a.m. on Tuesday, 12 January 2016. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

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

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. The Company has not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by the Company, the Sole Sponsor, the Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager, the Underwriters, any of their respective directors, employees, agents, affiliates or professional advisers or any other person or party involved in the Global Offering. Information contained on our website at www.jujiang.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. Since it is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares. Information contained on our website at www.jujiang.cn does not form part of this Prospectus.

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

OVERVIEW

We were the largest construction company in Jiaxing, Zhejiang Province in terms of output value in 2014, holding a market share of 10.4%, according to *Ipsos*. We were established in 1965 as one of the earliest construction companies in Jiaxing, a city currently with a population of more than 4.5 million and strong commercial and light industrial activities. With 50 years' experience in the construction industry, we have built a successful track record in the industry in which we operate.

We successfully obtained the Premium Class Certificate for General Building Construction Contracting Work (房屋建築工程施工總承包企業特級資質) ("Premium Class Certificate"), and the Grade A Engineering Design (Construction Industry) Certificate (工程設計建築行業甲級資質) ("Engineering Design Certificate") on 28 January 2015 after undergoing a stringent review process. As of 30 June 2015, we were the only construction company in Zhejiang Province holding both certificates. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. Holding these two key certificates as well as other certificates, we are able to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide. We believe holding these certificates will also allow us to charge a premium rate for our services, resulting in higher profit margins in our construction projects. For more information on our licenses, certificates and permits, see "Business – Licenses, Certificates and Permits" on page 139 of this Prospectus.

OUR BUSINESS OPERATIONS

The following table sets forth a breakdown of our revenue by business and project type for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million* (unaudited)	*%*	*RMB million*	*%*
Construction contracting business	3,266.8	99.9	4,052.8	99.5	4,258.5	99.3	1,803.2	99.2	2,132.0	99.6
Residential construction projects(1)	1,551.4	47.4	2,074.0	50.9	2,147.4	50.1	905.2	49.8	663.1	31.0
Commercial construction projects(2)	972.8	29.8	1,221.5	30.0	1,456.0	33.9	611.9	33.7	1,182.3	55.2
Industrial construction projects(3)	483.8	14.8	528.7	13.0	487.3	11.4	220.6	12.1	187.0	8.7
Public works construction projects(4)	258.8	7.9	228.6	5.6	167.8	3.9	65.5	3.6	99.6	4.7
Other businesses	3.0	0.1	19.3	0.5	30.8	0.7	14.9	0.8	7.8	0.4
Total revenue	**3,269.8**	**100.0**	**4,072.1**	**100.0**	**4,289.3**	**100.0**	**1,818.1**	**100.0**	**2,139.8**	**100.0**

Notes:

(1) Residential construction projects mainly include large-scale residential complexes and affordable housing complexes.

(2) Commercial construction projects mainly include hotels, shopping malls and office buildings.

(3) Industrial construction projects mainly include factories and warehouses.

(4) Public works construction projects mainly include sporting facilities, schools and hospitals.

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

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	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 million	%	*RMB million*	%	*RMB million*	%	*RMB million* (unaudited)	%	*RMB million*	%
Construction contracting business										
Residential construction projects	91.9	5.9	112.4	5.4	106.9	5.0	44.0	4.9	32.8	4.9
Commercial construction projects	41.1	4.2	54.7	4.5	79.8	5.5	28.9	4.7	61.2	5.2
Industrial construction projects	24.4	5.0	22.1	4.2	26.9	5.5	12.4	5.6	10.2	5.5
Public works construction projects	10.8	4.2	8.5	3.7	7.9	4.7	3.1	4.7	5.1	5.1
Other businesses	(0.3)	(10.0)	4.5	23.3	8.2	26.6	2.8	18.8	0.8	10.3
	167.9	**5.1**	**202.2**	**5.0**	**229.7**	**5.4**	**91.2**	**5.0**	**110.1**	**5.1**

Construction Contracting Business

During the Track Record Period, a substantial majority of our revenue was generated from our construction contracting business. We generated most of our revenue from undertaking construction projects as a general contractor during the Track Record Period, in which we performed all major aspects of the construction project, including building construction, foundation works, curtain wall construction, building decoration and fire proofing projects. During the Track Record Period, we completed a total of 550 construction projects.

The following table sets forth the movement of the number of our construction projects during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
Opening number of projects(1)	231	188	212	176
Number of new construction projects(2)	124	108	143	66
Number of completed construction projects(3)	(167)	(84)	(179)	(120)
Closing number of projects(4)	188	212	176	122

Notes:

(1) Opening number of projects means the number of construction projects where the percentage of completion had not reached 100% as of the beginning of the relevant year or period indicated.

(2) Number of new construction projects means the number of construction projects awarded to us during the relevant year or period indicated.

(3) Number of completed construction projects means the number of construction projects where the percentage of completion reached 100% during the relevant year or period indicated.

(4) Closing number of projects means the number of construction projects where the percentage of completion had not reached 100% as of the end of the relevant year or period indicated.

The following table sets forth the movement of backlog of our construction projects during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*
Opening value of backlog	5,038.5	5,193.7	4,238.8	4,756.4
Net value of new projects[(1)]	3,532.8	3,238.7	4,922.7	2,575.5
Revenue recognized[(2)]	(3,377.6)	(4,193.6)	(4,405.1)	(2,205.3)
Closing value of backlog[(3)]	5,193.7	4,238.8	4,756.4	5,126.6

Notes:

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

(2) Revenue recognized means the revenue that has been recognized during the relevant year or period indicated, such amounts are before deducting business tax.

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

During the Track Record Period, we generated revenue mainly from construction projects located in Zhejiang Province, most of which were located in Jiaxing. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, revenue generated from our projects in Jiaxing amounted to RMB2,026.4 million, RMB2,582.2 million, RMB2,644.0 million and RMB1,177.2 million, respectively, accounting for 62.0%, 63.4%, 61.6% and 55.0% of our total revenue, respectively. Our other construction projects were mainly located in Jiangsu, Anhui, Shandong and Liaoning Provinces, where we have strategically set up branch offices to develop business opportunities and manage existing projects. A majority of our construction projects are identified through the efforts of our sales and marketing department. We also identify construction projects by invitation or referral from our customers, online advertisements and industry periodicals. Our construction projects are awarded primarily through bidding and private negotiations with our customers.

The following table sets forth details of our top ten construction projects by revenue during the Track Record Period. Jujiang Holdings did not award us any of the projects listed below.

	Project type	Location	Time of completion[(1)]/ expected time of completion[(2)]	Total revenue recognized during the Track Record Period	Total gross profit recognized during the Track Record Period	Contract value	Outstanding contract value as of 30 June 2015[(3)]
				RMB million	*RMB million*	*RMB million*	*RMB million*
Project A	Residential construction project	Zhejiang Province	November 2015	448.8	23.9	518.2[(4)]	27.8
Project B	Commercial construction project	Beijing Municipality	May 2016	396.2	13.9	464.3[(4)]	16.6
Project C	Residential construction project	Zhejiang Province	November 2016	393.7	19.0	469.7[(4)]	13.1
Project D	Residential construction project	Jiangsu Province	January 2015	358.0	20.3	360.3[(5)]	–
Project E	Residential construction project	Zhejiang Province	October 2015	296.9	21.0	694.4[(6)]	13.0
Project F	Residential construction project	Zhejiang Province	May 2015	295.2	16.8	354.2[(5)]	–
Project G	Residential construction project	Anhui Province	December 2014	287.6	17.6	350.0[(6)]	–
Project H	Residential construction project	Liaoning Province	June 2014	261.0	17.9	270.0[(7)]	–
Project I	Residential construction project	Hunan Province	March 2016	254.7	12.8	310.0[(4)]	31.5
Project J	Commercial construction project	Jiangsu Province	December 2015	241.9	10.5	276.3[(4)]	6.3

Notes:

(1) Time of completion represents the time when we submitted the project completion report to our customers.

(2) Expected time of completion represents the time of completion set forth in our construction contracting contracts or the time of completion as later agreed upon with our customers.

(3) Outstanding contract value represents the difference in total contract value and accumulated revenue recognized as of 30 June 2015.

(4) The total revenue recognized for this construction project during the Track Record Period is within the contract value because the construction project was still in progress as of 30 June 2015.

(5) The total revenue recognized for this construction project during the Track Record Period is within the contract value because the contract value includes fees for subcontracting work, which we did not perform.

(6) The difference between contract value and total revenue recognized during the Track Record Period is because we recognized significant revenue on this construction project before the Track Record Period.

(7) The total revenue recognized for this completed construction project during the Track Record Period is below the contract value because there was a slight decrease in scope of work during the course of the construction project.

For details about our construction contracting business, see "Business – Construction Contracting Business" on page 123 of this Prospectus.

Our Business Model

The preparation phase of our operations usually lasts one to three months, during which time we prepare and submit bids or conduct private negotiations with our customers to obtain construction projects. In accordance with *Provisions on the Scope and Threshold of Construction Projects for Bid Invitation* (工程建設項目招標範圍和規模標準規定), issued and effective on 1 May 2000, certain public works construction projects and large-scale infrastructure projects must be awarded through bidding. Our bids are prepared based on a detailed analysis of the proposed construction project, including a comprehensive review of the technical and commercial conditions and requirements, a cost and risk assessment and determination of the appropriate work scope of the project. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, we submitted 439, 382, 363 and 115 bids, respectively, and our success rates for such bids were 49.0%, 50.0%, 50.7% and 52.2%, respectively. If we are awarded the construction project, we will enter into formal construction contracting contracts and commence the project implementation phase, which may take one to three years to complete. After the construction project is completed, our customers, or third-party inspectors engaged by our customers, and the relevant government authorities will inspect the project. Upon acceptance of our work, we will settle our accounts with the customer.

Other Businesses

Leveraging our experience in the construction contracting business, we also provide design, survey and consultancy services to our customers. According to *Ipsos*, we were one of the few companies in Jiaxing holding the Engineering Design Certificate as of 30 June 2015, which allows us to provide all types of design, survey and consultancy services for building construction projects of any scale in China. We primarily provide general construction design services, intelligent building systems design services, lighting engineering design services, fire proofing project design services and lightweight steel structure design services. In April 2014, we received our license to manufacture civil defense products from OCAD. We mainly manufacture heavy duty construction-related structures, such as protective doors and protective valves that protect against radioactive materials, thermal radiation, toxic biological and chemical agents and high temperatures. For details about our other businesses, see "Business – Other Businesses" on page 137 of this Prospectus.

Research and Development

We have been devoted to research and development to drive improvement and innovation in the construction industry, and we continue to invest in our research and development efforts. Our technology center was recognized in 2012 by the Economic and Information Commission of Zhejiang Province (浙江省經濟和信息化委員會) as the first provincial-level research facility for the construction industry in Jiaxing. Our research and development efforts are led by a team of industrial and civil construction engineers and civil engineers with extensive industry experience. As of the Latest Practicable Date, we had 22 patented technologies, which we have incorporated into our construction processes. We believe our advanced technologies and research and development capabilities have given us a competitive edge and allowed us to win construction projects through our provision of high-quality and innovative construction contracting services. For details about our research and development activities, see "Business – Research and Development" on page 142 of this Prospectus.

Customers

During the Track Record Period, our customers mainly consisted of real estate developers, government bodies and industrial and manufacturing companies. We have established solid relationships with many of our long-term customers for periods ranging from three to ten years. Most of our major customers were located in Jiaxing during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, revenue from our top five customers amounted to RMB1,109.7 million, RMB1,530.5 million, RMB1,263.4 million and RMB629.6 million, respectively, accounting for 33.9%, 37.6%, 29.5% and 29.4% of our total revenue, respectively. During the same periods, revenue from our largest customer amounted to RMB582.7 million, RMB704.4 million, RMB382.3 million and RMB157.6 million, respectively, accounting for 17.8%, 17.3%, 8.9% and 7.4% of our total revenue, respectively. Jujiang Holdings, a Controlling Shareholder, and its subsidiaries (other than the Company) were grouped as one of our top five customers during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, revenue from Jujiang Holdings amounted to RMB175.7 million, RMB322.4 million, RMB259.7 million and RMB104.1 million, respectively, accounting for 5.4%, 7.9%, 6.1% and 4.9% of our total revenue, respectively. Our Directors confirm that, save as disclosed above, as of the Latest Practicable Date, all of our top five customers were Independent Third Parties. For more information, see "Business – Sales and Marketing and Customers" on page 144 of this Prospectus.

Raw Materials, Equipment and Machinery, and Suppliers

The principal raw materials used in construction contracting business primarily include steel, concrete, moulding and cement. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, costs of our raw materials amounted to RMB2,199.0 million, RMB2,739.5 million, RMB2,857.1 million and RMB1,423.7 million, respectively, representing 70.9%, 70.8%, 70.4% and 70.2% of our total cost of sales, respectively. During the Track Record Period, all of our major suppliers were domestic companies, with whom we have established long-term relationships for a period ranging from three to ten years. In addition, we have invested and intend to continue to invest significantly in new and high-quality equipment and machinery that will enhance our construction capabilities and enable us to undertake larger-scale and more complex construction projects.

Purchases from our top five suppliers collectively accounted for less than 30% of our total cost of sales during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, purchases from our top five suppliers amounted to RMB195.8 million, RMB275.4 million, RMB289.4 million and RMB162.4 million, respectively, and purchases from our largest supplier amounted to RMB64.4 million, RMB75.5 million, RMB166.4 million and RMB92.0 million, respectively. Tongxing Concrete, in which we hold 18% equity interest, was one of our top five suppliers during the Track Record Period. Our Directors confirm that, as of the Latest Practicable Date, save as disclosed above, all of our five largest suppliers were Independent Third Parties. For details about our raw materials, equipment and machinery, and suppliers, see "Business – Raw Materials, Equipment and Machinery, and Suppliers" on page 144 of this Prospectus.

Subcontracting

During the Track Record Period, we engaged subcontractors on a project-by-project basis to provide certain construction services, including curtain wall construction, building decoration and fire proofing equipment installation services. In addition, as is customary in the construction industry, aside from personnel in our project management department, we do not employ our own construction labor force. During the Track Record Period, we entered into labor services contracts with Jujiang Labor and other Independent Third Parties on a project-by-project basis to supply the labor force in our construction projects. The price of our labor services contracts is calculated based on a unit price per square meter of construction, which is determined at market price. We believe such pricing arrangement is the norm in our industry. For more information, see "Business – Subcontracting" on page 148 of this Prospectus.

Competition

The construction industry in China has developed significantly in recent years as a result of high economic growth and a strong real estate market. With limited exceptions, construction companies in China, including us, focus their business regionally. According to *Ipsos*, as of 31 December 2014, there were 564 construction companies in Jiaxing, including us. We were the largest construction company in Jiaxing in terms of output value in 2014, holding a market share of 10.4%, according to *Ipsos*. In addition, according to *Ipsos*, we held a 0.5% market share in Zhejiang Province in terms of output value in 2014. We compete primarily on the basis of our ability to complete construction projects on a shorter timeline, our prices, the quality of our construction projects and our well-established relationship with customers.

Our Track Record

Our total revenue increased from RMB3,269.8 million for the year ended 31 December 2012 to RMB4,072.1 million for the year ended 31 December 2013, and further to RMB4,289.3 million for the year ended 31 December 2014, representing a CAGR of 14.5% from 2012 to 2014. Our total revenue increased by 17.7% from RMB1,818.1 million for the six months ended 30 June 2014 to RMB2,139.8 million for the six months ended 30 June 2015. Our net profit increased from RMB46.7 million for the year ended 31 December 2012 to RMB60.7 million for the year ended 31 December 2013, and further to RMB82.8 million for the year ended 31 December 2014, representing a CAGR of 33.1% from 2012 to 2014. Our total net profit increased by 28.5% from RMB35.4 million for the six months ended 30 June 2014 to RMB45.5 million for the six months ended 30 June 2015.

We experienced moderate growth in revenue and net profit during the Track Record Period in line with the development of the PRC real estate market and changes in the regulatory environment and industry-related policies from time to time. Our net profit margin during the Track Record Period was slim and in line with construction companies of a similar nature in China according to *Ipsos*.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths include the following:

- We are the largest construction company in Jiaxing, Zhejiang Province, with a growing presence in Zhejiang Province and other provinces and regions in China.
- We are able to leverage our Premium Class Certificate and Engineering Design Certificate to charge premium rates for our services and capture business opportunities.
- Our track record of high-quality, timely and safe construction contracting services has enabled us to establish strong relationships with long-term customers.
- Our well-recognized brand and reputation enhance our ability to win construction projects and create business opportunities.
- We possess advanced technologies and research and development capabilities that enhance our competitiveness.
- We have an experienced and dedicated senior management team and highly skilled personnel that ensure the successful development of our business.

OUR BUSINESS STRATEGIES

We aim to continue capturing greater market share in Zhejiang Province and in other provinces and regions in China, as well as expand our presence overseas to become a leading construction contracting and design company in selected regions. Key strategies for reaching our goal are as follows:

- Leverage our Premium Class Certificate and Engineering Design Certificate to provide complete construction solutions for larger-scale and more complex construction projects;
- Develop business opportunities to undertake BT and PPP projects; and
- Capture opportunities in the international market and actively participate in overseas construction and infrastructure projects.

OUR CONTROLLING SHAREHOLDERS

Mr. Lv Yaoneng, Jujiang Holdings and Jujiang Equity Investment will continue to be our Controlling Shareholders after the Global Offering. Jujiang Holdings is held by Mr. Lv Yaoneng as to approximately 51.33% and eight other individual shareholders together as to 48.67% as of the Latest Practicable Date. Immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Jujiang Holdings and Jujiang Equity Investment will effectively hold as to approximately 38.25% and 36.75% of the total issued share capital of the Company, respectively.

Apart from our Group, our Controlling Shareholders are currently conducting other businesses or holding interest directly or indirectly in certain companies, including the business of property development and investment holding. As we are principally engaged in the construction contracting business, our Directors are of the view that there is a clear delineation between the principal business and business model of the Company and those of the companies owned by our Controlling Shareholders. Therefore, none of the companies owned by our Controlling Shareholders or their respective close associates outside our Group would compete, or would be likely to compete, directly or indirectly, with our principal business and other businesses. See "Relationship with Controlling Shareholders – Overview" on page 174 of this Prospectus for more details.

KEY FINANCIAL DATA

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million* (unaudited)	*%*	*RMB million*	*%*
Revenue	3,269.8	100.0	4,072.1	100.0	4,289.3	100.0	1,818.1	100.0	2,139.8	100.0
Cost of sales	(3,101.9)	(94.9)	(3,869.9)	(95.0)	(4,059.6)	(94.6)	(1,726.9)	(95.0)	(2,029.7)	(94.9)
Gross profit	167.9	5.1	202.2	5.0	229.7	5.4	91.2	5.0	110.1	5.1
Other income and gains	15.8	0.5	4.8	0.1	6.8	0.1	2.5	0.1	0.8	0.0
Administrative expenses	(54.0)	(1.6)	(53.7)	(1.3)	(61.3)	(1.4)	(26.7)	(1.5)	(36.5)	(1.7)
Other expenses	(11.8)	(0.4)	(10.7)	(0.3)	(14.8)	(0.4)	3.5	0.2	9.7	0.5
Finance costs	(49.9)	(1.5)	(50.2)	(1.2)	(43.6)	(1.0)	(20.7)	(1.1)	(22.5)	(1.0)
Profit before tax	68.0	2.1	92.4	2.3	116.8	2.7	49.8	2.7	61.6	2.9
Income tax expense	(21.3)	(0.7)	(31.7)	(0.8)	(34.0)	(0.8)	(14.4)	(0.8)	(16.1)	(0.8)
Total comprehensive income for the year/period, net of tax	**46.7**	**1.4**	**60.7**	**1.5**	**82.8**	**1.9**	**35.4**	**1.9**	**45.5**	**2.1**

For more information, see "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Period to Period Comparison of Results of Operations" on page 243 of this Prospectus.

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

	As of 31 December			As of 30 June
	2012	2013	2014	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*
Non-current assets	215.7	233.8	206.4	203.7
Current assets	2,901.3	3,198.7	4,074.5	4,058.3
Current liabilities	2,618.9	2,825.6	3,593.6	3,503.2
Non-current liabilities	19.2	14.3	11.9	37.8
Net assets	478.9	592.6	675.4	721.0

The balance of our amounts due from contract customers accounted for 42.9%, 51.7%, 62.3% and 65.9% of our total current assets as of 31 December 2012, 2013 and 2014 and 30 June 2015, respectively. The increase in the proportion of our amounts due from contract customers to our total current assets was primarily because of: (i) an increase in the number and scale of our construction projects during the Track Record Period; and (ii) the usual timing difference between the date of completion of construction works and the date of progress billings and the duration of our construction projects typically range from one to three years leading to an accumulated effect of our balance of amounts due from contract customers. Our Directors consider it common that the balance of our amounts due from contract customers vary from period to period. Considering that: (i) we had unutilized banking facilities available (including both bank loans and letters of guarantee) in an aggregate amount of RMB449.4 million as of 31 October 2015; (ii) we maintained a net current asset position during the Track Record Period; and (iii) our Directors are of the view that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this Prospectus, our Directors further advised that the increase in such balance did not have a material and adverse impact on our working capital during the Track Record Period. For more information, see "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Selected Items of the Consolidated Statements of Financial Position" on page 254 of this Prospectus.

The following table sets forth a selected summary of our consolidated cash flow statements for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB million	*RMB million*	*RMB million*	*RMB million* (unaudited)	*RMB million*
Cash and cash equivalents at the beginning of the year/period	32.3	58.8	39.9	39.9	26.6
Net cash used in operating activities	(45.8)	(174.1)	(97.3)	(229.9)	(192.3)
Net cash used in investing activities	(5.8)	(12.2)	(12.1)	(7.0)	(0.3)
Net cash generated from financing activities	78.1	167.4	96.1	232.0	195.3
Net increase/(decrease) in cash and cash equivalents	26.5	(18.9)	(13.3)	(4.9)	2.7
Cash and cash equivalents at the end of the year/period	58.8	39.9	26.6	35.0	29.3

We operate in a capital-intensive business as a significant amount of capital is required to purchase raw materials and engage labor subcontracting agents. We experienced negative operating cash flow during the Track Record Period primarily due to the increase in net amounts due from contract customers, prepayments, deposits and other receivables. The increase in prepayments, deposits and other receivables was due to an increase in performance guarantees we paid, in line with the increased number of construction projects we undertook. As of 31 December 2012, 2013 and 2014, and 30 June 2015, we relied on interest-bearing bank and other borrowings and inter-company borrowings in the amount of RMB867.4 million, RMB754.8 million, RMB651.6 million and RMB606.5 million, respectively, to fund our capital needs. For more information, see "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Cash flows" on page 250 of this Prospectus.

KEY FINANCIAL RATIOS

The following tables set forth certain key financial ratios as of the dates or for the periods indicated:

	For the year ended/ As of 31 December			For the six months ended/As of 30 June
	2012	2013	2014	2015
Return on average equity ratio[(1)]	11.8%	11.3%	13.1%	N/A[(8)]
Return on average assets ratio[(2)]	1.6%	1.9%	2.1%	N/A[(8)]
Current ratio[(3)]	1.1	1.1	1.1	1.2
Quick ratio[(4)]	1.1	1.1	1.1	1.2
Debt to asset ratio[(5)]	84.6%	82.7%	84.2%	83.1%
Interest coverage[(6)]	2.4	2.8	3.7	3.7
Gearing ratio[(7)]	164.6%	107.7%	86.3%	72.3%

Notes:

(1) Return on average equity ratio represents profit divided by average balance of total equity as of the beginning and end of a year/period.

(2) Return on average asset ratio represents profit divided by average balance of total assets as of the beginning and end of a year/period.

(3) Current ratio represents current assets divided by current liabilities as of the end of a year/period.

(4) Quick ratio represents current assets excluding inventories divided by current liabilities as of the end of a year/period.

(5) Debt to asset ratio represents total liabilities divided by total assets as of the end of a year/period.

(6) Interest coverage represents the profit before interest and tax divided by the interest expense for the respective year/period.

(7) Gearing ratio represents net debt divided by total equity as of the end of a year/period. Net debt is defined as all borrowings deducted by cash and bank balances and pledged deposits.

(8) Such ratio is not meaningful as it is not comparable to annual numbers.

For more information on the key financial ratios, see "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Financial Ratios" on page 273 of this Prospectus.

PROPERTY VALUATION

DTZ, an independent property valuer, valued our properties at RMB119.2 million as of 31 October 2015. You should note that the valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. For more information, see "Risk Factors – Risks Relating to Our Business and Industry – Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results." on page 46 of this Prospectus.

RECENT DEVELOPMENTS

Our business remained stable after the Track Record Period. As of 30 June 2015, we had RMB5,126.6 million in terms of contract value in our backlog, consisting of RMB3,257.3 million in terms of contract value for work yet to be completed in projects under construction and RMB1,869.3 million in terms of contract value for new construction projects. Since 1 July 2015 and up to 31 October 2015, we entered into contracts with customers for new construction projects with an aggregate contract value amounting to RMB1,481.6 million.

Our Directors confirm that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position or prospect since 30 June 2015, being the date of our latest audited financial statements, and there is no event since 30 June 2015 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out as Appendix I to this Prospectus.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 133,360,000 H Shares are newly issued in the Global Offering; (ii) the Over-allotment Option for the Global Offering is not exercised; and (iii) 533,360,000 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$1.25 per Share	Based on an Offer Price of HK$1.45 per Share
Market capitalization of our Shares	HK$666.7 million	HK$773.4 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(1)	HK$1.90	HK$1.94

Note:

(1) The amount of unaudited pro forma adjusted consolidated net tangible assets per Share is calculated in accordance with Listing Rule 4.29 after the adjustments referred to in "Appendix II – Unaudited Pro Forma Financial Information".

DIVIDEND

Under the PRC laws and in accordance with our Articles of Association, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. We paid cash dividends of RMB2.8 million in 2012. We did not declare or pay dividends for the years ended 31 December 2013 and 2014, and the six months ended 30 June 2015. Our dividend distributions during the Track Record Period had complied with the applicable reserve requirements in the PRC. We currently have no plans to pay dividends to the Shareholders in the foreseeable future. Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital, financial position, capital adequacy ratio, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors which our Directors may consider relevant. Prospective investors should note that there is no assurance that we will be able to distribute dividends of any amount each year or in any year. For more details, see "Financial Information – Dividend" on page 279 of this Prospectus.

LISTING EXPENSES

The total estimated listing expenses (including underwriting commissions) in connection with the Global Offering are HK$32.7 million assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.35 per Share, being the mid-point of the indicative Offer Price range, and during the Track Record Period, we incurred listing expenses amounting to HK$16.5 million, among which HK$12.5 million has been charged to the profit and loss and HK$4.0 million was capitalized as deferred expenses, which is expected to be charged against equity upon successful listing under the relevant accounting standards. We estimate that the listing expenses to be incurred and charged to the profit and loss before or upon completion of the Listing will be HK$8.0 million and HK$8.2 million will be capitalized. The listing expenses above are an estimate as of the latest practicable date for determining such expenses and are for reference only. The actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations in 2015.

USE OF PROCEEDS

We estimate that we will receive net proceeds of HK$167.8 million (equivalent to approximately RMB140.2 million) from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.35 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus. We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 65%, or approximately HK$109.1 million, to be used to fund new construction projects that we undertake;

- approximately 20%, or approximately HK$33.5 million, to be used to repay the principal of and interest on our loans on or before their respective maturity dates. The interest rates charged to these bank loans range from 7.0% to 21.6% and the maturity dates of these bank loans are one year or less. These bank loans were used as working capital on our construction projects;
- approximately 10%, or approximately HK$16.8 million, to be used to invest in new equipment and machinery to undertake larger-scale and more complex construction projects in or before 2017;
- approximately 5%, or approximately HK$8.4 million, for general corporate purposes.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares will be approximately HK$26.1 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$1.35 per Share, being the mid-point of the indicative Offer Price range. We intend to use the additional net proceeds for the above uses on a pro rata basis.

For more details, see "Future Plans and Use of Proceeds" on page 283 of this Prospectus.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in China; and (iii) risks relating to the Global Offering. Some of the risks generally associated with our business and industry include the following:

- A decline in the real estate industry and the construction industry in China, particularly in Jiaxing, Zhejiang Province, and changes in national or local policies may adversely affect the demand for our services and products.
- We face intense competition in our industry, and failure to compete effectively may cause us to lose market share.
- Our operations are subject to inherent operational risks and occupational hazards, which could cause us to incur substantial costs, damage to reputation and loss of future business.
- We may be involved in claims and litigations in our ordinary course of business.
- We recently commenced our civil defense products manufacturing business, and our limited operational experience in such businesses may expose us to risks.
- We have limited control over the quality, availability and performance of our construction subcontractors.
- We have limited control over the experience, availability and cost of our subcontracted workers, and we rely on a limited number of labor subcontracting agents.
- Any material discrepancies between the estimated costs and the actual costs ultimately incurred may materially and adversely affect our financial condition and results of operations.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this Prospectus and, in particular, should evaluate the specific risks set forth in "Risk Factors" on page 32 of this Prospectus in deciding whether to invest in our Shares.

OCCUPATIONAL HEALTH AND SAFETY

During the Track Record Period, our subcontracted workers had one general workplace accident on our construction projects in each of 2012 and 2013, which resulted in two and one fatalities of our subcontracted workers, respectively. Since the occurrence of the abovementioned workplace accidents, we have corrected the safety issues on the relevant construction projects and put in place enhanced internal control measures to prevent the future occurrence of such incidents. For more information, see "Business – Occupational Health and Safety" on page 154 of this Prospectus.

NON-COMPLIANCE MATTERS

Except for the non-compliance incidents disclosed below, we are advised by our PRC Legal Advisers that, during the Track Record Period and up to the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects.

- During the Track Record Period, we advanced loans to our related parties and Independent Third Parties, and borrowed loans from our related parties and Independent Third Parties, which were not in compliance with the Lending General Provisions issued by the PBOC.
- Before October 2015, we did not make full contributions for social insurance fund and housing provident fund for our employees based on their actual income.

We were also involved in certain third-party non-compliant incidents during the Track Record Period.

For more information, see "Business – Compliance and Legal Proceedings – Non-compliance" and "Business – Compliance and Legal Proceedings – Third-party Systemic Non-compliance Incidents" on page 167 and page 171 of this Prospectus, respectively.

In this Prospectus, unless the context otherwise requires, the following words and expressions have the following meanings.

"affiliate(s)"	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person(s)
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association"	the articles of association of the Company, conditionally adopted on 23 December 2015 and as amended from time to time, a summary of which is set out in "Appendix VI – Summary of Articles of Association"
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	our supervisory committee established pursuant to the PRC Company Law, as described in "Directors, Supervisors and Senior Management"
"Business Day"	any 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
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires, references in this Prospectus to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance" or "Hong Kong Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance," "Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance" or "Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company"	Jujiang Construction Group Co., Ltd.* (巨匠建設集團股份有限公司), a joint stock company established in the PRC with limited liability on 17 July 1996 and converted from the Predecessor Company on 29 December 2014
"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 in case of the Company, means Mr. Lv Yaoneng, Jujiang Holdings and Jujiang Equity Investment
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated 23 December 2015 entered into by our Controlling Shareholders with and in favor of the Company as referred to in the section headed "Appendix VII – Statutory and General Information – Other Information – Indemnities" in this Prospectus

"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary share in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities
"DTZ"	DTZ Debenham Tie Leung Limited, the independent property valuer commissioned by us to conduct property valuation on the properties of our Group
"Eastern China"	a geographical region that covers the eastern coastal area of China and includes Anhui, Fujian, Jiangsu, Jiangxi, Shandong and Zhejiang Provinces, as well as the municipality of Shanghai
"EIT"	the PRC enterprise income tax
"EIT Law"	the *PRC Enterprise Income Tax Law* (中華人民共和國企業所得税法), issued on 16 March 2007 and effective on 1 January 2008
"EIT Rules"	the *Rules for Implementation of the PRC Enterprise Income Tax Law* (中華人民共和國企業所得税法實施條例), issued on 28 November 2007 and effective on 1 January 2008
"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 HK eIPO White Form Service Provider
"Group," "our Group," "we" or "us"	the Company and its subsidiaries at the relevant time or, where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the present subsidiaries of the Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
"H Share Registrar"	Tricor Investor Services Limited

"H Shares"	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Hong Kong Stock Exchange
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the HK eIPO White Form Service Provider, **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the HK eIPO White Form Service Provider designated by us, as specified on the designated website at **www.hkeipo.hk**
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 13,336,000 H Shares (subject to adjustment) being offered by us for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this Prospectus and the Application Forms, as further described in "Structure of the Global Offering"
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting – Hong Kong Underwriters"

"Hong Kong Underwriting Agreement"	the underwriting agreement dated 29 December 2015 relating to the Hong Kong Public Offering and entered into by, among others, the Sole Global Coordinator, the Hong Kong Underwriters, the covenantors named therein and the Company, as further described in "Underwriting – Underwriting Arrangements and Expenses"
"IFRS"	International Financial Reporting Standards
"IIT"	the PRC individual income tax
"IIT Law"	the *PRC Individual Income Tax Law* (中華人民共和國個人所得稅法), issued on 27 October 2005 and effective on 1 January 2006
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the Listing Rules
"International Offer Shares"	the 120,024,000 H Shares offered by the Company pursuant to the International Offering, together with, where relevant, any additional H Shares to be sold pursuant to the exercise of the Over-allotment Option
"International Offering"	the conditional placing by the International Underwriters of the International Offer Shares outside the United States to institutional and professional investors in offshore transactions as defined in and in accordance with Regulation S, as further described in "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and to be entered into by, among others, us, the Sole Global Coordinator and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting – Underwriting Arrangements and Expenses – International Offering"

"Ipsos"	Ipsos Limited, the independent industry consultant commissioned by us to conduct research on the construction industry in China
"Ipsos Report"	the report produced by Ipsos which provides an overview and analysis of the construction industry in China
"Jiaxing"	Jiaxing City, Zhejiang Province
"Jiaxing Production Facility"	the production facility we leased in Tongxiang City Economic Development Zone in Jiaxing, occupying an aggregate gross floor area of 4,768.6 m^2
"Jiayuan Group"	Zhejiang Jiayuan Real Estate Group Co., Ltd.* (浙江佳源房地產集團有限公司), a limited liability company incorporated in the PRC, and its subsidiaries, together being one of our customers and Independent Third Parties
"Jujiang Building Materials"	Zhejiang Kepuao Building Materials Trading Co., Ltd.* (浙江科普奧建材貿易有限公司), a limited liability company incorporated in the PRC on 21 February 2013 and a wholly owned subsidiary of the Company
"Jujiang Curtain Wall"	Tongxiang City Jujiang Curtain Wall Installation Engineering Co., Ltd.* (桐鄉市巨匠建築幕牆工程安裝有限公司), a limited liability company incorporated in the PRC on 9 March 2009 and is owned as to 85% by the Company and as to 5% by Wang Jinfa (王金法), as to 5% by Zhang Jianxue (張建學) and as to 5% by Zeng Ruizhen (曾瑞珍), each an Independent Third Party
"Jujiang Defense Equipment"	Jiaxing Jujiang Defense Equipment Co., Ltd.* (嘉興巨匠防護設備有限公司), a limited liability company incorporated in the PRC on 18 April 2013 and is owned as to 70% by the Company and as to 30% by Zhejiang Tongli Heavy Machinery Manufacturing Co., Ltd.* (浙江同力重型機械製造有限公司), an Independent Third Party
"Jujiang Design"	Zhejiang Jujiang Construction Surveying and Design Co., Ltd.* (浙江巨匠建築勘察設計有限公司), collective economic enterprise incorporated in the PRC on 29 September 1985 and was converted into a limited liability company on 29 May 2003 and a wholly owned subsidiary of the Company

"Jujiang Equity Investment"	Zhejiang Jujiang Equity Investment Management Co., Ltd.* (浙江巨匠股權投資管理股份有限公司), a joint stock limited liability company incorporated in the PRC on 19 August 2011 and a 49% shareholder in the Company. It is owned by 164 individual shareholders, of which two are Directors (Mr. Shen Haiquan and Mr. Zheng Gang who owned 2.4049% and 2.0964% of Jujiang Equity Investment, respectively), one is a Supervisor (Mr. Zou Jiangtao who owned 0.4493% of Jujiang Equity Investment), 113 are current employees other than Directors and Supervisors, ten are former employees, one is Mr. Lv Yuntao, who is Mr. Lv Yaoneng's son (who owned 13.5303% of Jujiang Equity Investment) and 37 are Independent Third Parties
"Jujiang Holdings"	Zhejiang Jujiang Holdings Group Co., Ltd.* (浙江巨匠控股集團有限公司), a limited liability company incorporated in the PRC on 18 August 2011 and a 51% shareholder in the Company. It is held by Mr. Lv Yaoneng as to approximately 51.33% and eight other individual shareholders together as to approximately 48.67%
"Jujiang Holdings Group"	Jujiang Holdings, its subsidiaries and their associates (other than our Group)
"Jujiang Industrial"	Tongxiang City Jujiang Industrial Investment Co., Ltd.* (桐鄉市巨匠實業投資有限公司), a limited liability company incorporated in the PRC on 24 October 2008 and is owned as to 90% by Jujiang Technology and as to 10% by Mr. Lv Yaoneng
"Jujiang Labor"	Tongxiang City Jujiang Construction Labor Co., Ltd.* (桐鄉市巨匠建築勞務有限公司), a limited liability company incorporated in the PRC on 18 January 2008 and was wholly-owned by Jujiang Technology until 15 August 2015. As of the Latest Practicable Date, it was an Independent Third Party and was owned as to 50% by Shen Hong (沈宏) and as to 50% by Shen Jianguo (沈建國), each an Independent Third Party
"Jujiang Lifting Equipment"	Tongxiang City Jujiang Lifting Equipment Installation Co., Ltd.* (桐鄉市巨匠起重設備安裝有限公司), a limited liability company incorporated in the PRC on 16 May 2006 and a wholly owned subsidiary of the Company

"Jujiang Municipal Landscaping"	Zhejiang Jujiang Municipal Landscaping Engineering Co., Ltd.* (浙江巨匠市政園林綠化工程有限公司), a limited liability company incorporated in the PRC on 12 October 2007 and a wholly owned subsidiary of the Company
"Jujiang Property"	Tongxiang City Jujiang Property Co., Ltd.* (桐鄉市巨匠置業有限公司), a limited liability company incorporated in the PRC on 15 November 2011 and is owned as to 51% by Jujiang Holdings and as to 49% by Jujiang Equity Investment
"Jujiang Real Estate Group"	Zhejiang Jujiang Real Estate Group Co., Ltd.* (浙江巨匠房地產集團有限公司), a limited liability company incorporated in the PRC on 7 August 2002 and is owned as to 51% by Jujiang Holdings and as to 49% by Jujiang Equity Investment
"Jujiang Technology"	Zhejiang Jujiang Technology Services Co., Ltd.* (浙江巨匠科技服務有限公司), a limited liability company incorporated in the PRC on 15 November 2011 and is owned as to 51% by Jujiang Holdings and as to 49% by Jujiang Equity Investment
"Latest Practicable Date"	22 December 2015, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information in this Prospectus prior to its publication
"Lending General Provisions"	the *Lending General Provisions* (貸款通則), issued on 28 June 1996 and effective on 1 August 1996
"Listing"	the listing of the H Shares on the Main Board
"Listing Committee"	the Listing Committee of The Stock Exchange of Hong Kong Limited
"Listing Date"	the date, expected to be on 12 January 2016, on which dealings in the H Shares first commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mandatory Provisions"	the *Mandatory Provisions for Articles of Association of Companies to be Listed Overseas** (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Counsel and the former State Commission for Restructuring the Economic Systems on 27 August 1994
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOC"	the former Ministry of Construction of the PRC (中華人民共和國建設部), the predecessor of the MOHURD
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD"	the Ministry of Housing and Urban-rural Development of the PRC (中華人民共和國住房和城鄉建設部), formerly known as the MOC
"Mr. Lv Yaoneng"	Mr. Lv Yaoneng (呂耀能), one of our Controlling Shareholders and chairman of the Company
"National Bureau of Statistics"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"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)
"Non-Competition Agreement"	the non-competition agreement (避免同業競爭協議) dated 23 December 2015 entered into by our Controlling Shareholders in favor of the Company as referred to in "Relationship with Controlling Shareholders – Non-Competition Agreement"

"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"OCAD"	the Office of Civil Air Defense of the PRC (國家人民防空辦公室)
"Offer Price"	the final Hong Kong dollar price per H Share (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed pursuant to the Global Offering
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional H Shares sold pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by us to the Sole Global Coordinator on behalf of the International Underwriters under the International Underwriting Agreement pursuant to which the Company may be required to sell up to an additional aggregate of 19,935,000 H Shares (in aggregate representing approximately 14.95% of the Offer Shares initially being offered under the Global Offering) at the Offer Price
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the *Company Law of the PRC* (中華人民共和國公司法), issued on 27 October 2005 and effective on 1 January 2006
"PRC GAAP"	the *Accounting Standards for Business Enterprises* (企業會計準則) promulgated by the Ministry of Finance
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them
"PRC Legal Advisers"	AllBright Law Offices, legal advisers to the Company as to the PRC laws in connection with the Global Offering

"Predecessor Company"	Jujiang Construction Group Limited* (巨匠建設集團有限公司), a limited liability company incorporated in the PRC on 17 July 1996 and the predecessor of the Company
"Price Determination Agreement"	the agreement to be entered into by the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Tuesday, 5 January 2016 but no later than Friday, 8 January 2016, on which the Offer Price is fixed for the purposes of the Global Offering
"Promoter(s)"	the promoters that established the Company on 29 December 2014, which comprised Jujiang Holdings and Jujiang Equity Investment
"Property Valuation Report"	the text of a letter, the summary of values and valuation certificates from DTZ, as set out in Appendix III to this Prospectus
"Prospectus"	this prospectus issued in connection with the Hong Kong Public Offering
"Province"	an administrative division within China
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency for the time being of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong

"Securities Law"	the *Securities Law of the PRC* (中華人民共和國證券法), issued on 29 December 1998 and last amended and newly effective on 31 August 2014
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	Domestic Share(s) and/or H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Global Coordinator," "Sole Bookrunner," and "Sole Lead Manager"	Guotai Junan Securities (Hong Kong) Limited
"Sole Sponsor"	Guotai Junan Capital Limited, a licensed corporation under the SFO permitted to engage in type 6 of the regulated activity (as defined under the SFO), acting as the sole sponsor to the Listing
"Special Regulations"	the *Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies* (國務院關於股份有限公司境外募集股份及上市的特別規定), issued on 4 August 1994 and effective on 25 December 1995
"Stabilizing Manager"	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Supervisor(s)"	member(s) of the Board of Supervisors
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
"Tongji University"	Tongji University (同濟大學), a university located in Shanghai municipality

"Tongkun Group"	Tongkun Group Co., Ltd.* (桐昆集團股份有限公司), a joint stock limited liability company incorporated in the PRC on 27 September 1999 and listed on the Shanghai Stock Exchange (stock code: 601233), and its subsidiaries, together being one of our customers and Independent Third Parties
"Tongxiang Hongwang"	Tongxiang City Hongwang Property Co., Ltd.* (桐鄉市宏望置業有限公司), a limited liability company incorporated in the PRC on 15 May 2009 and is owned as to 100% by Jujiang Technology
"Tongxiang Lvdu"	Tongxiang Lvdu Real Estate Development Co., Ltd.* (桐鄉綠都房地產開發有限公司), a limited liability company incorporated in the PRC on 19 November 2002 and is owned as to 100% by Jujiang Technology
"Tongxing Concrete"	Tongxiang City Tongxing Concrete Co., Ltd.* (桐鄉市桐星混凝土有限公司), a limited liability company incorporated in the PRC on 15 June 2007, being one of our suppliers and is owned as to 18% by the Company, as to 51% by Tongxiang City Tongxing Industrial Co., Ltd.* (桐鄉市桐星實業有限公司), as to 11% by Zhejiang Xinxia Construction Co., Ltd.* (浙江新廈建設有限公司), as to 10% by Liu Shengquan (劉生泉) and as to 10% by Cai Ronghua (蔡榮華), each an Independent Third Party
"Track Record Period"	the three financial years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar"	the lawful currency of the U.S.
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"Wuzhen Tourism"	Wuzhen Tourism Co., Ltd.* (烏鎮旅遊股份有限公司), a joint stock limited liability company incorporated in the PRC on 10 June 1999, and its subsidiaries, together being one of our customers and Independent Third Parties
"Xin Feng Ming Group"	Xin Feng Ming Group Co., Ltd.* (新鳳鳴集團股份有限公司), a joint stock limited liability company incorporated in the PRC on 22 February 2000, and its subsidiaries, together being one of our customers and Independent Third Parties
"ZHURD"	Department of Housing and Urban-Rural Development of Zhejiang Province (浙江省住房和城鄉建設廳)

* *denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only*

This glossary of technical terms contains terms used in this Prospectus in connection with us and our business. Some of these terms and their meanings may not correspond to standard industry meanings or usage of such terms.

"affordable housing projects"	government-sponsored projects aimed towards alleviating housing costs and expenses for people with low to moderate incomes
"BT"	build-transfer, a project model under which an enterprise undertakes the financing of construction expenditures and transfers the project back to the contracted government authority upon completion of construction and inspection for acceptance. Under the BT model, a concession is granted when an enterprise enters into an agreement with government entities to obtain the exclusive right to carry out investment in a public infrastructure or construction project for a given period, and the contracted government authority compensates such enterprise for the relevant construction expenditures and financing costs in installments over a deferred payment period which generally last for two to five years upon completion of the project
"cement"	a substance used in construction that sets and hardens and can bind other materials together
"civil defense"	a range of emergency measures to be taken to protect citizens and their property from aerial warfare and natural disasters
"concrete"	a composite material composed mainly of water, construction aggregate, and cement
"Constructor License"	a license awarded to certified constructors in China, comprising Class A (一級) and Class B (二級) constructor licenses
"contract value"	final negotiated or proposed price of a contract before tax
"curtain wall"	an outer covering of a building in which the outer walls are non-structural, designed to handle all loads imposed on it as well as keep air and water from penetrating the building envelope

"GB/T28001:2011"	a recommended standard in the PRC for an occupational health and safety management system (職業健康安全管理體系)
"Grade A Engineering Design (Construction Industry) Certificate" or "Engineering Design Certificate"	工程設計(建築行業)甲級資質, a certificate awarded by the MOHURD to companies engaged in the design, survey and consultancy business meeting the highest standards for construction projects design and civil defense projects design
"Grade A Engineering Design (Construction Projects) Certificate"	工程設計(建築工程)甲級資質, a specialty certificate awarded by the MOHURD to companies engaged in the design, survey and consultancy business
"ISO9001:2008"	quality management standards published by the International Organization for Standardization
"ISO14001:2004"	environmental management standards published by the International Organization for Standardization
"low-rise building(s)"	residential building(s) with six stories or below and non-residential building(s) below 24 meters in height in accordance with the relevant law and regulations in the PRC (including multi-storey buildings)
"m^2" or "sq.m."	square meters
"output value"	the total amount of pecuniary investment by project owners in a construction project (excluding land price and including other construction works subcontracted to other parties of the same construction project)
"PPP"	public-private partnership, a partner relationship based on a concession agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services
"Premium Class Certificate"	Premium Class Certificate for General Building Construction Contracting Work (房屋建築工程施工總承包企業特級資質), awarded to construction companies meeting the Premium Class Standards

"Premium Class Standards"	the *Premium Class Qualification Standards for General Construction Contractors* (施工總承包企業特級資質標準), issued and effective on 13 March 2007
"second-, third- and fourth-tier cities"	as to second-tier cities, capital cities of each province or coastal cities; as to third-tier cities, medium-sized cities of each province; as to fourth-tier cities, county-level cities in China
"steel"	an alloy of iron and carbon, widely used in construction because of its high tensile strength and low costs

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business and our business plans;
- our ability to control our risks;
- our business and operating strategies and our ability to implement such strategies;
- future developments, trends, conditions and the competitive environment in the industry and markets in which we operate or into which we intend to expand;
- our expansion plan;
- financial market developments;
- our financial condition and performance;
- our future debt levels and capital needs;
- changes in economic conditions in the cities in which we operate, including a downturn in the industry in which we operate and general economy in China;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- our business prospects;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- the actions and developments of our competitors;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and

- other statements in this Prospectus that are not historical facts.

In some cases, we use the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in “Business” and “Financial Information” in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. By their nature, however, forward-looking statements require us to make assumptions that are subject to inherent risks and uncertainties. As such, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to this cautionary statement.

Investing in the H Shares involves a high degree of risk. You should carefully consider each of the risks described below and all of the other information contained in this Prospectus before deciding to invest in the H Shares. You should be aware that our business and operations in China are governed by a legal and regulatory environment that in some respects differs significantly from that in other countries.

If any of the following risks occur, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of the H Shares could decline, and you may lose all or part of your investment.

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in China; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A decline in the real estate industry and the construction industry in China, particularly in Jiaxing, Zhejiang Province, and changes in national or local policies may adversely affect the demand for our services and products.

Demand for our services and products is cyclical in nature and directly correlates with the level of real estate development and construction activities in China and in regions and provinces in which we operate, including Jiaxing, Zhejiang Province, where a majority of the construction projects awarded to us were located during the Track Record Period. The real estate industry and the construction industry are sensitive to economic fluctuations and market uncertainty, and are closely controlled and monitored by the PRC Government through policymaking. The PRC financial market has experienced significant fluctuations in recent months. We cannot assure you that such fluctuations will not negatively affect the overall economic condition in China or the real estate or construction industry in China. Revenue from the real estate industry and the construction industry may be adversely affected if the growth of the PRC economy slows down or enters into recession, or if fixed capital investment is reduced, including any reduction in infrastructure investment by the PRC Government. Moreover, demand for our services and products in Jiaxing may be reduced if the local economy of Jiaxing experiences a significant downturn or if the Jiaxing government significantly reduces spending on public works construction. Our ongoing projects, in which we have invested significant resources and capital, may be put on hold or stopped if economic conditions deteriorate, and we may be unable to collect payments and recover our costs.

In addition, we are susceptible to the adverse changes in national or local policies related to the PRC real estate industry and construction industry, including those that control the supply of land for property development, project financing, foreign investment and taxation. During the Track Record Period, the PRC Government implemented various regulations and policies aimed to cool the real estate market and the inflation of property prices. Various property price control policies have been implemented in recent years, including limitations on the purchase of property outside the province of registered residence, restrictions on real estate loans and higher interest rates for second-hand property transactions, among others. More recently, the PRC Government lowered interest rates to stimulate the slowing real estate industry and associated industries, including the construction industry. These policies may affect the level of activity in the PRC real estate industry, and in turn affect the number of construction projects available to us. We cannot assure you that the PRC Government will not adopt additional industry-related policies in the future, which may have a material and adverse effect on our business, financial condition and results of operations.

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

The PRC construction industry is fragmented. As such, we face intense competition from a significant number of construction companies in Zhejiang Province and in other provinces and regions in China in which we operate that provide services or products that are similar or are alternatives to those that we provide. Many of our competitors may have longer operating histories, stronger capital resources, larger customer bases, stronger customer relationships, greater brand or name recognition, greater financial, technical, marketing and public relations resources and a wider range of services and products than we do. As a result, some of our competitors may be better positioned to develop superior services and products, as well as to adapt to market trends than we are. Our competitiveness depends on our record of timely project delivery, efficient performance, wide range of high-quality services and products as well as our innovations and techniques. Competitive pressure may require us to reduce our prices or increase our costs and may adversely affect our profit margins. Our gross profit margins were 5.1%, 5.0%, 5.4% and 5.1%, and our net profit margins were 1.4%, 1.5%, 1.9% and 2.1% for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. Our failure to compete effectively could materially and adversely affect our business, financial condition, results of operations and market position.

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

Construction sites are potentially dangerous workplaces and our construction projects routinely place our employees and others in close proximity with heavy duty construction machinery and equipment, moving motor vehicles, highly regulated and volatile materials, and chemical processes. Despite our implementation of safety policies and standardized construction methods and technologies, we are still subject to risks surrounding these activities, such as equipment failure, industrial accidents, geological catastrophes, fire and explosions. These hazards can cause personal injury or fatalities, as well as damage to or destruction of property and equipment. Our subcontracted workers had one general workplace accident on our construction projects in each of 2012 and 2013, which resulted in two and one fatalities of our subcontracted workers, respectively. For more information, see "Business – Occupational Health and Safety." We cannot guarantee that material workplace accidents will not occur in the future despite our safety policies and measures. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs and damage to our reputation. Damage to our reputation as a result of workplace accidents, whether or not our fault, may cause us to lose future business, which may materially and adversely affect our business and results of operations.

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

We may be involved in claims and litigations in the ordinary course of our business for, among others, defective or allegedly defective services or products, personal injuries or fatalities, damage to or destruction of property, payment disputes, breach of contract, and delayed completion of projects. If we were found liable on such claims, we could be liable for significant monetary damages, as well as be subject to government sanctions, including fines and the loss of operational licenses, approvals and permits. In addition, we may be subject to lengthy and expensive litigation or arbitration proceedings if not resolved through negotiations. Further, we might suffer negative publicity resulting from such claims. If any negative publicity or reputational harm is not effectively remedied or reversed, our existing or potential customers may develop negative views of the safety and quality of our services and products, which may negatively affect our ability to maintain solid relationships with our customers, engage new customers and expand into new markets. In addition, the measures we take to remedy or reverse any negative publicity may be financially costly, force us to divert significant management attention, and may not generate the desired results. We cannot assure you that we will not be subject to future liability claims or that if any such claim were successful, our business and results of operations would not be materially and adversely affected.

We recently commenced our civil defense products manufacturing business, and our limited operational experience in such business may expose us to risks.

In April 2014, we obtained our license to manufacture civil defense products from OCAD. We manufacture civil defense products at our Jiaxing Production Facility. As we have limited operational experience in the civil defense products manufacturing business, we may not be able to operate in an efficient manner, accurately estimate our profitability and growth prospects, as well as accurately assess the risks particular to the business. Further, the civil defense products manufacturing industry is highly regulated by laws and regulations at national and local level, and we may not be able to ensure our compliance with such laws and regulations due to our limited operational experience. If for any of the foregoing reasons, we are unable to grow such business and generate sufficient return on our investment, our business, financial condition and results of operations may be adversely affected. Further, our Jiaxing Production Facility is leased, and the landowner may terminate our lease with limited notice to us. In such an event, our production schedule will be delayed and we may be liable for breach of our sales contracts. Moreover, we may be subject to substantial costs to find an alternate production facility on short notice. If we are unable to find an alternate production facility on favorable terms, or at all, our business and results of operations will be adversely affected.

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

We engage subcontractors from time to time to provide certain construction services. We conduct regular quality inspections of our subcontractors' work. However, we cannot guarantee the performance of our construction subcontractors and the quality of the construction subcontractors' work as we may not be able to monitor the operations of our subcontractors as directly and efficiently as we do with our own operations. Further, in cases where our customers recommend construction subcontractors to us, we may not have full knowledge of the construction subcontractors' financial condition, capability, work quality or historical performance despite our in-depth research prior to their engagement. In the event that a construction subcontractor fails to meet our quality standards or breaches our subcontracting agreement, and if we are unable to hire alternative construction subcontractors in a timely manner or on favorable terms, or at all, our operations may be delayed, which could harm our reputation and adversely affect our business, financial condition and results of operations. Moreover, we may be subject to additional costs if we are required to hire alternative construction subcontractors, which would lower the efficiency and profitability of our operations.

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

We have limited control over the experience, availability and cost of our subcontracted workers, and we rely on a limited number of labor subcontracting agents.

As is customary in the construction industry, aside from personnel in our project management department, we do not employ our own construction labor force. During the Track Record Period, we entered into labor services contracts with Jujiang Labor and with other Independent Third Parties on a project-by-project basis to supply the labor force in our construction projects. As such, we may have limited control over our subcontracted workers. Given the large number of our subcontracted workers and the high labor turnover in the construction industry, we may not be able to accurately screen and ascertain the level of skill and experience of our subcontracted workers. In the event that our subcontracted workers are not as experienced or capable as we had assessed, or in the event of an injury or accident involving our subcontracted workers, our project schedule may be delayed and we may be liable for liquidated damages for our delays. We may also be subject to claims brought against us by our subcontracted workers. In such an event, our reputation, business, financial condition and results of operations may be materially and adversely affected.

Further, the fact that we subcontract our labor force affords us less control over the availability and cost, which is an important factor in our ability to execute construction projects in a timely and cost-effective manner. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, our labor costs amounted to RMB852.9 million, RMB1,050.6 million, RMB1,147.1 million and RMB577.1 million, respectively, accounting for 27.5%, 27.1%, 28.3% and 28.4% of our total cost of sales, respectively. In recent years, the number of workers in the construction industry in Jiaxing experienced a decline, which contributed to an increase in the average annual wage in the construction industry in Jiaxing. During the Track Record Period, we did not experience any shortage of labor or any significant increase in labor costs that resulted in a delay in our project schedule or a material decrease in our profits. However, we cannot guarantee that we will be protected from a labor shortage or increased labor costs in the future, or that our project schedule or profitability will not be negatively affected as a result. In the event that we experience a labor shortage, we may be forced to engage labor force from other labor subcontracting agents on short notice at higher costs, thereby lowering our profitability.

Moreover, during the same period, we relied mainly on Jujiang Labor to provide the labor force in our construction projects. We have started to engage other Independent Third Parties as labor subcontracting agents in 2014 and intend to gradually increase the number of labor subcontracting agents we work with. There are a number of risks associated with relying on a limited number of labor subcontracting agents, including the risk of an insufficient supply of labor force in the event of a sudden increase in our demand for workers, or the risk of paying higher than market cost if we are unable to effectively compare prices between different labor subcontracting agents. If we are unable to assemble the necessary labor force for our construction projects, or at reasonable costs, our business, financial condition and results of operations may be materially and adversely affected.

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

Some of our contracts are fixed-price, which we estimate based on a cost analysis before we enter into contracts with our customers. The lengthy bidding, contract negotiation and construction process of our construction projects limit our ability to accurately predict costs at the outset. Our contract terms therefore expose us to cost overruns as a result of factors beyond our control, including variations in labor and equipment productivity, price fluctuations of raw materials and unforeseen project conditions. The occurrence of any of such factors may result in inaccurate cost estimates, lower profits or even a loss despite any buffers we may have built into the contract value to safeguard against cost increases. Some of our contracts may have a price adjustment clause, allowing us to adjust the contract value for additional costs incurred due to a significant increase in our costs as a result of certain circumstances. In such cases, we are typically required to cover a portion of the increased costs. If our estimated costs are lower than our actual costs, or if the price adjustment does not cover our increased costs, our business, financial condition and results of operations may be materially and adversely affected.

From time to time, we may need to perform additional work or adjust the scope of work under our contracts. For example, we may be required to change our work scope when our customer changes their blueprint design. If we are unable to recover the additional costs arising from change in work scope caused by our customers, our business, financial condition and results of operations may be materially and adversely affected.

We may have difficulty in managing our future growth.

Our net profit increased at a CAGR of 33.1% from 2012 to 2014. Our total net profit increased by 28.5% from RMB35.4 million for the six months ended 30 June 2014 to RMB45.5 million for the six months ended 30 June 2015. To continue our growth, we are required from time to time to take calculated risks. The success and continuation of our business operations and growth depend on our effective management of the resulting risks by, among others:

- improving our operational, financial and management systems;
- developing skills of our management team;
- training, motivating, managing and retaining our employees;
- maintaining adequate facilities and equipment;
- enhancing our risk monitoring to assess the financial condition and business potential of new and existing customers;
- managing our liquidity position while committing substantial resources to market expansion, business development, and service and product development efforts;
- managing the increased complexity and costs associated with expanded operations, which may divert our resources and require substantial capital commitment; and
- selectively diversifying our customer base to improve our working capital management.

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

We may have difficulty expanding our business into new provinces and regions as well as overseas markets.

During the Track Record Period, a majority of the construction projects awarded to us were located in Jiaxing, Zhejiang Province. In addition to growing our market share in Jiaxing, we have been expanding and plan to continue to expand our operations in Jiangsu, Anhui, Shandong and Liaoning Provinces, among other provinces and regions in China. Further, we plan to expand our business into selected overseas markets and have obtained the Overseas Contracting Certificate (對外承包工程資格證書) in 2010 for that purpose. We cannot guarantee that we will be successful in leveraging our experience in Jiaxing to expand in such provinces, regions and overseas markets, as the economic development, regulatory environment, business practices and customs and customer preferences may differ. We may also fail to accurately assess the risks involved in engaging in business operations in such provinces, regions and overseas markets given our limited operational experience in those areas. In addition, we may be competing against regional, national and international competitors in these provinces, regions and overseas markets that are more familiar with the local customs and practices, or have stronger relationships with local customers. Further, local government authorities may be protective of local construction solutions businesses, limiting the number of projects we may be awarded or our ability to obtain the requisite licenses, certificates and permits to do business in the local construction industry. Even if we are awarded projects, the higher costs associated with engaging new, local labor force, and transporting our equipment and machinery to, or leasing equipment and machinery from local suppliers in, regions domestically and internationally may significantly affect our profitability on such projects. If we fail to expand into other provinces, regions or overseas markets, or fail to expand profitably or in a manner favorable to us, our business, growth and prospects may be materially and adversely affected.

We face risks associated with undertaking BT and PPP projects in the future.

We believe that BT and PPP projects are attractive business opportunities that have high revenue potential. Moreover, according to *Ipsos*, an increasing number of infrastructure projects in China are expected to be completed on a BT or PPP basis in the coming years. As such, we intend to develop business opportunities to undertake projects on a BT or PPP basis in the future. We may face significant risks in undertaking such projects, including among others, the inability of BT customers to make payment upon completion of the project, disagreements or disputes with our partner in PPP projects, fluctuating economic conditions and our inaccurate estimate of the project's profitability, which may affect the success of the BT or PPP projects we undertake. In addition, the profitability of BT and PPP projects may depend on government policies relating to public private participation and the sharing of risks and returns from these projects. Any changes in government policies may limit our ability to profit from such projects, which will materially and adversely affect our business and results of operations. Further, undertaking BT and PPP projects requires significant working capital over extended periods, which may affect our liquidity and decrease the capital resources otherwise available for other uses. Moreover, the occurrence of BT and PPP projects in PRC construction industry is relatively recent, and we have limited experience assessing the risks particular to BT and PPP projects. Any inability to execute or handle BT and PPP projects to generate sufficient, or any, returns on our investment may materially and adversely affect our business, financial condition and results of operations.

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

It is critical that we maintain sufficient working capital in order to sustain the progress of our operations. However, as is customary in the industry in which we operate, we are often required to commit significant resources to the projects of our customers prior to receiving the majority of the contract value from such customers. The balance of our amounts due from contract customers accounted for 42.9%, 51.7%, 62.3% and 65.9% of our total current assets as of 31 December 2012, 2013 and 2014 and 30 June 2015, respectively. The current portion of our trade and bills receivables amounted to RMB468.9 million, RMB468.8 million, RMB486.3 million and RMB448.3 million as of 31 December 2012, 2013 and 2014, and 30 June 2015, respectively, representing 15.0%, 13.7%, 11.4% and 10.5% of our total assets, respectively. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, the provision for impairment of trade receivables was RMB13.6 million, RMB16.1 million, RMB19.7 million and RMB21.5 million, respectively, accounting for 2.7%, 3.2%, 3.7% and 4.4% of our trade and bills receivables, respectively. For more information on our trade and bills receivables, see "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Selected Items of the Consolidated Statements of Financial Position – Trade and bills receivables."

An extended delay in payment from any major customer, particularly in large-scale construction projects, or failure to collect our performance guarantees or retention fees, may have a material and adverse effect on our cash flow and working capital. Furthermore, the process to recover various payments due can be time-consuming and may require additional resources. Our inability to collect trade and bills receivables, performance guarantees or retention fees on a timely basis could materially and adversely affect our business, financial condition, results of operations and liquidity.

We had net operating cash outflows for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, and we may have difficulty meeting our payment obligations if we continue to record net operating cash outflows in the future.

We operate a capital-intensive business. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, we recorded net cash outflows used in operating activities of RMB45.8 million, RMB174.1 million, RMB97.3 million and RMB192.3 million, respectively. Our net operating cash outflows were primarily due to an increase in net amounts due from contract customers and an increase in prepayments, deposits and other receivables. We cannot guarantee that we will not experience operating cash outflows in the future. Moreover, our operating cash flows may be adversely affected by a number of factors beyond our control, including but not limited to, market competition and the macroeconomic environment. Our future liquidity, the payment of trade and bills payables, prepayments, deposits and other receivables, and repayment of any debt obligations, as they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities. If we are unable to maintain adequate cash inflows from operating activities, we may default on our payment obligations, which may materially and adversely affect our business, financial position and results of operations.

Our bank borrowings and significant interest payment obligations could limit our working capital required for our business operations.

We fund the working capital requirement for our business operations and capital expenditure mainly through cash generated from our operations and interest-bearing bank and other borrowings. As of 31 December 2012, 2013 and 2014, and 30 June 2015, our interest-bearing bank and other borrowings amounted to RMB511.8 million, RMB580.9 million, RMB635.4 million and RMB600.6 million, respectively. See "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness" for further details. We cannot assure you that we will be able to renew existing borrowings upon expiry, or secure new borrowings from banks or other financial institutions, whether on commercially acceptable terms or not. If the banks and other financial institutions providing existing borrowings do not continue to extend similar or more favorable facilities to us and we fail to obtain alternative borrowings on comparable terms or at all, our business will be adversely affected.

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

The availability of bank and other borrowings is subject to various factors beyond our control, including prevailing capital market conditions, credit availability and interest rates. The global financial economic crisis starting from the second half of 2008 has cast doubt on the sustainability of global economic growth and has had an overall adverse impact on business sentiments and environment, leading to the tightening of credit markets, a low level of liquidity in many financial markets and an increase in volatility in credit and equity markets. This resulted in the tightening of credit policies by many financial institutions, which reduced the amount of funding available to borrowers. If market conditions worsen, the availability, terms and cost of bank and other borrowings may be adversely affected, which would disrupt our ability to renew existing bank and other borrowings or obtain new bank and other borrowings for our operations. Such impact may materially and adversely affect our business, financial condition and results of operations.

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

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

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

We are vulnerable to fluctuations in market prices and the availability of our raw materials. Our principal raw materials primarily include steel, concrete, moulding and cement. Our raw materials represent a significant portion of our cost of sales. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, costs of our raw materials represented 70.9%, 70.8%, 70.4% and 70.2% of our total cost of sales, respectively. Raw materials prices depend on a variety of factors beyond our control, including the global and PRC economy and related government policies. For example, according to *Ipsos*, the average market price in Shanghai for reinforcing steel increased from RMB3,960 per ton in 2010 to RMB4,650 per ton in 2011, and steadily decreased to RMB2,670 per ton in 2014. The average market price of cement in China fluctuated between RMB336 per ton and RMB404 per ton between 2010 and 2014. We cannot guarantee that the prices of our raw materials will not rise from current levels and that our cost of sales will not increase. If we are unable to purchase any of our raw materials on terms acceptable to us or if we are not able to pass on such price increases to our customers, our profit margins may decrease and our results of operations may be materially and adversely affected.

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

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

We may incur significant costs in relation to warranties offered to our customers. In a majority of our construction contracting contracts, the warranty period, ranges from two to five years, depending on the type of construction services provided. Retention fees retained by our customers are generally 3% to 5% of the settlement amount calculated upon completion and acceptance of the construction projects payable to us. The warranty arrangement requires these retention fees to be returned to us in installments during the warranty period if there are no major quality issues with our construction projects during such period. During the Track Record Period, we collected substantially all of the retention fees retained by our customers pursuant to the contract terms as they became due. There can be no assurance, however, that we will recover all or any of the amounts retained by customers for warranty purposes in the future. If we are unable to recover a significant proportion of the amounts retained by our customers as warranties, our future business, financial condition and results of operations may be materially and adversely affected.

Our research and development expenses may not produce successful improvements to our services that will adequately meet the needs of our customers and be accepted by the market.

The construction industry is constantly evolving to meet changing customer needs and demands for higher quality and innovative construction solutions. In order to maintain our competitiveness, we must continue to improve our construction methods and our technologies, as well as continue to operate in a cost-effective and timely manner. We have focused on research and development to maintain our competitiveness. Our total expenses on research and development for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015 amounted to RMB12.1 million, RMB13.0 million, RMB14.4 million and RMB6.9 million, respectively. We cannot assure you that research and development efforts will be successful, be accepted by the market and/or meet the changing demands of our customers. In addition, we cannot guarantee that the services and products in which we invested to develop will generate sufficient profits. Failure to meet changing customer needs and to generate sufficient profits from our research and development efforts could have a material and adverse impact on our business, results of operations and ability to remain competitive in the market.

Our revenue is mainly derived from projects that are non-recurrent in nature, and there is no guarantee that our existing customers will engage us in future business.

As is customary in the industry in which we operate, we are awarded construction projects by our customers on a project-by-project basis. As such, our existing customers are not obligated to award projects to us or order from us, and there is no guarantee that we will be able to secure new business from our customers despite the established and long-term relationships we may have with certain customers. As a result, our revenue and the number of projects we are able to secure may vary from period to period and it is difficult to forecast the volume of our business in the future. We cannot guarantee that we will be able to secure future business from our existing customers, or that we will be able to develop relationships with new customers, in which case our business, results of operations and prospects would be materially and adversely affected.

Our business development efforts provide no guarantee that we will be awarded projects or receive product orders.

We conduct extensive sales and marketing for our businesses, including visiting our customers' projects and work closely with them to understand the requirements of their projects. Further, we invest significant efforts to conduct detailed project analyses to prepare our bids for construction projects. We do not currently charge potential customers for costs incurred in connection with our sales and marketing activities or our bid preparation, and there can be no assurance that we will be awarded construction projects or contracts to provide design, survey and consultancy services, sell construction materials or civil defense products to our customers. Additionally, we may commit our limited resources to pursue a potential project or customer which may not result in a successful bid on a project or volume orders of products, ultimately at the expense of potential projects or orders from other customers. It is possible that we may not generate sufficient revenue to offset our investment in sales and marketing efforts, in which case our business, financial condition and results of operations will be materially and adversely affected.

Government grants and subsidies awarded by the PRC Government during the Track Record Period may not be continued in the future.

During the Track Record Period, we received construction industry funds from MOHURD and Tongxiang Finance Bureau in support of our development of innovative and advanced construction technologies. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, we have received government grants and subsidies of RMB1.8 million, RMB2.7 million, RMB4.7 million and RMB90,000, respectively. We cannot guarantee that there will be no change in such governmental policies or that we will continue to receive such government grants and subsidies. A decrease in government grants and subsidies could negatively affect our working capital. Further, if the policies behind the government grants and subsidies we receive are terminated or amended, our financial condition and results of operations may be materially and adversely affected.

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

We are subject to extensive laws and regulations at the national and local level, which govern various aspects of our operations. We cannot guarantee that our measures will always be sufficient and effective. Certain legal uncertainties in, and inconsistent interpretations and enforcement of, current PRC laws and regulations expose us to the risk of non-compliance. If deemed non-compliant, we could be subject to administrative or regulatory fines and penalties, including the suspension or revocation of our licenses, and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations. As the PRC legal system and construction industry continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may also make it difficult for us to comply with the laws and regulations. From time to time, we may be instructed by the project owners to commence construction before the project owner obtains the construction permit, and such early commencement may subject us to risks of penalty under relevant PRC laws and regulations. As confirmed by the relevant government authority, no construction contractor in Zhejiang Province, including us, has received such penalties. In addition, during the Track Record Period, we were not in compliance with certain PRC laws and regulations in relation to inter-company borrowings, and social insurance fund and housing provident fund contributions. For more information, see "Business – Compliance and Legal Proceedings – Non-compliance."

We operate heavily regulated businesses that require us to obtain, maintain and renew a number of licenses, certificates and permits. Further, we are subject to regular inspections, examinations, inquiries and audits, as well as periodic and spot inspections by the relevant government authorities to maintain or renew such licenses, certificates and permits. We cannot guarantee that we will be able to obtain, maintain or renew the requisite licenses, certificates and permits, or comply with any new licensing requirements if new laws or regulations are promulgated or existing laws or regulations are amended, which may subject us to penalties, limitations or costs as a result and, in turn, have a material and adverse effect on our business, financial condition and results of operations. Further, extensive government regulation and related delays in seeking the requisite licenses, certificates and permits can significantly delay the introduction of additional services or products, which could materially and adversely affect our market competitiveness. Even if we do obtain the requisite licenses, certificates and permits from the relevant authorities, they may be granted on a limited basis or subject to modification of our services or products, which could increase our operational costs.

Any disruptions in our transportation network or significant increase in our shipping costs could cause delays in delivery of our products, raw materials and equipment and machinery in a timely manner and result in increased costs.

We are responsible for delivering our products to our customers and our suppliers are responsible for delivering our raw materials and equipment and machinery to our project sites. Our transportation network may be disrupted by a variety of causes beyond our control, including labor disputes or strikes, acts of war or terrorism, earthquakes and other natural disasters. Any such disruptions may cause delays in or prevent the delivery of our products, raw materials and equipment and machinery. In such an event, we may be subject to damages or breach of contract claims, or required to find alternative suppliers, which may result in a significant increase in our costs, and materially and adversely affect our business and results of operations.

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

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

We may be subject to potential increases in depreciation expenses upon our investment in plant and equipment.

We have made investments in plant and equipment during the Track Record Period and intend to continue to do so in the future. See "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Expenditures" and "Future Plans and Use of Proceeds." We depreciate our property, plant and equipment on a straight-line basis over their estimated useful lives. For more information on the relevant accounting policy, see Note 3.2 to the Accountants' Report as set out in Appendix I to this Prospectus. Our depreciation expenses for plant and equipment for the year ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 was RMB2.0 million, RMB2.0 million, RMB2.4 million and RMB1.4 million, respectively. We estimate that our depreciation expense for additional plant and machinery to be acquired after the Listing for the year ending 31 December 2016 to be approximately RMB1.3 million. As we continue to make significant investments in plant and equipment, it is expected that additional depreciation expenses will be charged to our profit and loss and may therefore affect our financial condition and results of operations.

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

We rely upon a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property rights. As of the Latest Practicable Date, we owned 45 trademarks in the PRC, including our "巨匠建设," "巨匠建设集团 JUJIANG CONSTRUCTION GROUP," "巨匠集团," "巨匠" and "" trademarks. As of the Latest Practicable Date, we also owned 22 patents and two domain names in China. As of the same date, we had seven patent applications and 17 trademark applications under review in China, as well as two trademark applications under review in Hong Kong. We also possess proprietary information in connection with our operations, such as information relating to pricing, raw material procurement and construction methods. However, there can be no assurance that the steps we have taken to monitor and protect our intellectual property rights are adequate to prevent or deter infringement or other misappropriation of our intellectual property. Failure to successfully enforce our intellectual property rights would diminish our level of competitiveness and harm our reputation. In addition, we may be required to incur significant costs in monitoring and protecting our intellectual property. In particular, we believe that our trademarks are significant to our brand recognition and the success of our business.

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

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

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

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

Valuations of our properties as of 31 October 2015 prepared by DTZ, an independent property valuer, are set forth in the Property Valuation Report set out as Appendix III to this Prospectus. The valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or an estimation of their realizable value. Unforeseeable changes in general and local economic conditions or other factors beyond our control may affect the value of our properties.

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

We have established risk management and internal control systems consisting of the relevant organizational framework policies, risk management policies and risk control procedures to manage our risk exposures, primarily our operational risk, legal risk and liquidity risk. However, we may not be successful in implementing our risk management and internal control systems. While we seek to continue to enhance our risk management and internal control systems from time to time, we cannot assure you that our risk management and internal control systems are adequate or effective notwithstanding our efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

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

Negative publicity or damage to our business reputation may have a potential adverse impact on our business.

We value and rely on our reputation to maintain and grow our business operations. Negative publicity associated with us could result in loss of business. We conduct business with a number of counterparties, including customers, suppliers and subcontractors. If any of such counterparties are dissatisfied with us, whether justified or not, and raises any complaint about us to the public, our business, brand and reputation may be adversely affected, which will in turn adversely affect our results of operations and growth prospects.

We may experience failures in our information technology systems.

We rely, to a large extent, on our information technology systems for daily operations. Our information technology systems are critical to our operations, including contract management, safety and quality control, documentation management, production management, human resources and accounting and finance management. Our information technology systems also support our key operation processes, including project management, procurement and bidding. Our operating efficiency and risk management practices have been enhanced by such information technology systems. However, we cannot assure you that any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information technology systems will not happen in the future. Additionally, restoring any damaged information technology systems may incur significant costs and require additional workforce. If any serious damage or significant interruption occurs, we may experience errors in the systems and our operations may be disrupted.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

We are vulnerable to adverse changes in economic, political and social conditions and government policies in China.

We are established, and all of our operations and assets are located, in China. Accordingly, our financial condition, results of operations and prospects are subject, to a significant degree, to the economic, political and social conditions and government policies in China. The PRC economy differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. Before its adoption of reform and open-door policies beginning in 1978, China was primarily a planned economy. Since that time, the PRC economy has been reformed from a planned economy to a market economy with socialist characteristics.

For over three decades, the PRC Government has implemented economic reform measures to utilize market forces in the development of the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may also lead to further readjustment or introduction of other reform measures. This reform process and any changes in laws and regulations or the interpretation or implementation thereof in China may have a material impact on our operations or may adversely affect our financial condition and results of operations.

While the PRC economy has grown significantly over the past few decades, this growth has been uneven, both geographically and among various sectors of the economy. We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may have a negative effect on our business. For example, as the PRC economy experienced high rates of increase in residential property prices in recent years, the PRC Government adopted a number of measures, including raising statutory reserve rates for banks and controlling bank lending to real estate developers, to combat high property prices and prevent the economy from overheating. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC Government to guide economic growth and the allocation of resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may materially and adversely affect us if they reduce demand for our services and products.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to us or our Shareholders.

As all of our operations are conducted in China, we are principally governed by PRC laws and regulations. The PRC legal system has inherent uncertainties that could limit the legal protection available to us or our Shareholders. Based on a civil law system, the PRC legal system comprises written statutes and their interpretation by the Supreme People's Court, while prior legal decisions and judgments have limited significance for guidance. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, interpretation of PRC laws and regulations involves a degree of uncertainty and can be inconsistent. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a court. In addition, the PRC legal system is based in part on government policies and administrative rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and diversion of resources and management attention. In addition, we cannot predict future developments in the PRC legal system or the effects of such developments. The materialization of all or any of these uncertainties could have a material and adverse effect on our financial condition and results of operations.

The PRC Government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our H Shares.

Current foreign exchange regulations have reduced the PRC Government's foreign exchange control on routine transactions under the current account, including trade and service-related foreign exchange transactions and payment of dividends. Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign currencies may restrict our ability to obtain sufficient foreign currencies for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements. Foreign currency transactions under our capital account, including principal payments in respect of foreign currency-dominated obligations, continue to be subject to significant foreign exchange controls and must be approved in advance by the SAFE or its delegated authority at provincial, municipal or other local level. These limitations could affect our ability to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

It may be difficult to effect service of legal process and enforce judgments obtained from non-PRC courts against us or our Directors, Supervisors or senior management residing in China.

We are established in China. All of our assets are located in China and the majority of our Directors, Supervisors and senior management currently reside in China. Therefore, it may be difficult or impossible to effect service of process within the United States, Hong Kong or elsewhere outside China upon us or our Directors, Supervisors or senior management, including in respect of matters arising under U.S. federal securities laws or applicable state securities laws. A judgment of a court of another jurisdiction may only be reciprocally recognized or enforced if the jurisdiction has a treaty with China or if there are reciprocal relationships between China and such jurisdiction. China has not entered into treaties with most other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in China or Hong Kong of a court judgment obtained in other jurisdictions related to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

In addition, although we will be subject to the Listing Rules and the Takeovers Code upon the Listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules but must rely on the Hong Kong Stock Exchange to enforce its rules. Furthermore, the Listing Rules and the Takeovers Code do not have the force of law.

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

Under the PRC laws and our Articles of Association, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. The declaration of dividends is proposed by our Board and subject to our Shareholders' approval. We cannot guarantee whether, when and in what form we will pay dividends in the future. We may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. In addition, dividends paid in the past may not be indicative of our dividend policy in the future.

You may be subject to PRC taxation for dividends received and gains realized in connection with our H Shares.

Under the PRC tax laws, rules and regulations, non-PRC resident individuals and non-PRC resident enterprises are generally subject to PRC income tax obligations on dividends paid to them by us at the rate of 20% and 10%, respectively. We would be required to withhold such tax from our dividend payments to them, subject to any reduction or exemption under any tax treaties between the PRC and the jurisdictions of such non-PRC resident individuals or non-PRC resident enterprises. Similarly, holders of our H Shares who are non-PRC resident individuals or non-PRC resident enterprises would be required to pay PRC income tax on gains from the dispositions of our H Shares at the rate of 20% or 10%, respectively, subject to any reduction or exemption under any tax treaties between the PRC and the jurisdictions of such non-PRC resident individuals or non-PRC resident enterprises.

Despite the arrangements mentioned above, the PRC tax laws and rules may change, including the relevant preferential tax treatment being revoked in the future such that all non-PRC resident individual holders of our H Shares will be subject to EIT at a flat rate of 20%. In addition, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and rules, including the taxation of capital gains by non-PRC resident enterprises, EIT on dividends to non-PRC resident individual holders of our H Shares and on gains realized on the sale or other disposition of our H Shares. If there is any change to applicable tax laws and rules and interpretation or application in respect of such laws and rules, the value of your investment in our H Shares may be materially affected.

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has been accompanied by periods of high inflation in the past, and the PRC Government has implemented various policies from time to time to control inflation, including imposing various corrective measures designed to restrict the availability of credit or regulate growth. For example, inflation rate in China increased rapidly in 2010 and 2011 and the PRC Government introduced a number of monetary tightening measures to curb the overheated real estate markets and increasing inflation in the PRC. High inflation in the future may cause the PRC Government to once again impose controls on credit and/or price of commodities, or to take other actions, which may bring a negative impact on our business.

The national and regional economies in China and our business may be adversely affected by the occurrence of epidemics.

Any future occurrences of epidemics, such as the Ebola virus, severe acute respiratory syndrome, or SARS, strains of avian influenza, the human swine influenza A (H1N1), the human swine influenza A (H5N1) and the human swine influenza A (H7N9), may severely disrupt our business and materially and adversely affect our business, financial condition and results of operations. An outbreak of a health epidemic could hinder business activities in affected areas, slowing the regional and national economies, which could severely disrupt our operations. Further, measures taken by the PRC Government or other countries in response to such health epidemics may also interrupt our operations or the operations of our customers, which could have a material and adverse effect on our financial condition and results of operations.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and our relevant industries contained in this Prospectus.

Certain facts, forecasts and other statistics in this Prospectus relating to China, the PRC economy and our relevant industries, such as the real estate industry and the construction industry, have been derived from information provided or published by PRC and other government agencies, industry associations, independent research institutions or other third-party sources and we can guarantee neither the quality nor the reliability of such source materials. They have not been prepared or independently verified by us, the Sole Sponsor and the Underwriters or any of its or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior market for our H Shares, and their liquidity and market price following the Global Offering may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The initial Offer Price range for our H Shares was the result of negotiations among us and the Sole Global Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of our H Shares following the Global Offering. In addition, there can be no guarantee that: (i) an active trading market for our H Shares will develop; or (ii) if such a trading market does develop, it will be sustained following the completion of the Global Offering; or (iii) the market price of our H Shares will not decline below the Offer Price. Factors such as variations in our revenue, earnings and cash flows or any other developments of the Company may affect the volume and price at which our H Shares will be traded.

Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.

Immediately after the Global Offering, our Controlling Shareholders will directly and indirectly own an aggregate of 75.0% of our Shares, if the Over-allotment Option is not exercised, or 72.3% of our Shares, if the Over-allotment Option is exercised in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of the Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of the Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

There is no assurance that our H Shares will remain listed on the Stock Exchange.

Listing of our H Shares on the Stock Exchange does not guarantee that our H Shares will remain listed on the Stock Exchange in the future. Among other factors, the Company may not continue to satisfy the listing requirements of the Stock Exchange. Holders in our H Shares would not be able to sell the H Shares through trading on the Stock Exchange if our H Shares were no longer listed on the Stock Exchange.

Investors should not place reliance on any information released by us other than this Prospectus, or any information contained in press or other media in making your investment decisions.

There has been and will be coverage in the media regarding the Global Offering and our operations. We do not accept any responsibility for the accuracy or completeness of such media coverage and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this Prospectus. Accordingly, prospective investors should not rely on any of the information in press or other media coverage in making investment decisions as to whether to purchase our H Shares.

There will be a time gap between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is will be determined on the Price Determination Date. However, trading of our H Shares on the Hong Kong Stock Exchange will not commence until our H Shares are delivered, which is expected to be a short period after the Price Determination Date. As a result, holders of our H Shares may not be able to sell or otherwise deal in our H Shares during that period. Thus, holders of our H Shares may be subject to the risk that trading price of our H Share could fall before trading of our H Shares begins as a result of adverse market conditions or other adverse developments arising during the period between the Price Determination Date and the date on which trading of our H Shares begins.

Future sales, or market perception of sales, of a substantial number of our H Shares in the public market could cause the market prices of our H Shares to fall.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Share or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur. Moreover, future sales, or perceived sales, of substantial amounts of our H Shares or other securities relating to our H Shares, including as part of any future offerings, could materially and adversely affect the prevailing market price of our H Shares and our ability to raise future capital at a favorable time and price.

We have discretion as to how we will use the net proceeds of the Global Offering.

Our management may spend the net proceeds from the Global Offering in ways that do not yield a favorable return. We plan to use the net proceeds from the Global Offering: (i) to fund new construction projects that we undertake; (ii) to repay the principal of and interest on our loans on or before their respective maturity dates; (iii) to invest in new equipment and machinery to undertake larger-scale and more complex construction projects in or before 2017; and (iv) for general corporate purposes. For details of our intended use of proceeds, see "Future Plans and Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

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

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

Potential investors may experience immediate and substantial dilution as a result of the Global Offering and could face dilution as a result of future equity financings.

Potential investors may pay a price per Share that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities and may therefore experience immediate dilution when potential investors purchase the Offer Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

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

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

This Prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and the negative of these words and other and similar expressions, as they relate to the Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

CONNECTED TRANSACTIONS

Members of our Group have entered into certain transactions which would constitute non-exempt continuing connected transactions of our Company under the Listing Rules after the Listing. The transactions under respective agreements are subject to reporting, annual review, announcement and/or circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and our Company has applied for waivers from compliance with the applicable requirements under Rule 14A.105 of the Listing Rules. Our Company has received from the Stock Exchange a waiver from strict compliance with the announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waiver are set out in the section headed "Connected Transactions" in this Prospectus.

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Listing Rules, an applicant applying for a listing on the Stock Exchange must have sufficient management presence in Hong Kong, and this normally means that at least two of its executive Directors must ordinarily reside in Hong Kong. Our operations are based in the PRC and our Group's headquarters situate in and substantially all of the Directors currently reside in the PRC. We do not, and in the foreseeable future will not, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. As a result, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules, on the following conditions to ensure that regular and effective communication is maintained between the Stock Exchange and us:

(a) **Authorised Representatives:** We have appointed Mr. Lv Yaoneng, our executive Director, and Mr. Zhong Zhihua, our joint company secretary, as our authorised representatives (the "Authorised Representatives") for the purpose of Rule 3.05 of the Listing Rules. They will act as our principal channel of communication with the Stock Exchange. Although Mr. Lv Yaoneng and Mr. Zhong Zhihua reside in the PRC, each of them possesses valid travel documents to visit Hong Kong and is able to renew such travel documents when they expire. The Authorised Representatives will provide their usual contact details to the Stock Exchange and will be readily contactable by the Stock Exchange, and will be available to meet with the Stock Exchange to discuss any matters within a reasonably short period of time.

(b) **Directors:** When the Stock Exchange wishes to contact the Directors on any matter, each of the Authorised Representatives will have all necessary means to contact all the Directors (including our independent non-executive Directors) promptly at all times. We will implement the following measures: (i) each Director must provide his/her mobile number, office number, e-mail address and facsimile number to the Authorised Representatives; and (ii) in the event that a Director expects to travel and/or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the Authorised Representatives.

We have provided the mobile number, office number, e-mail address and facsimile number of each Director to the Stock Exchange.

We have one independent non-executive Director (namely Mr. Wong Ka Wai) who is ordinarily resident in Hong Kong and will act as additional channel of communication between the Stock Exchange and us.

Each of the Directors who does not ordinarily reside in Hong Kong possesses valid travel document and can apply for visa to visit Hong Kong within a reasonably short period of time. Accordingly, each of the Directors will be able to meet with the Stock Exchange within a reasonable period of time.

(c) **Compliance Adviser:** We have appointed Guotai Junan Capital Limited as our compliance adviser (the "Compliance Adviser") in compliance with Rule 3A.19 of the Listing Rules, who will act as our additional channel of communication with the Stock Exchange during the period from the Listing Date to the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately after Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as our principal channel of communication with the Stock Exchange when the Authorised Representatives are not available. We have provided the Stock Exchange with the names, home and office telephone numbers, facsimile numbers and e-mail addresses of at least two of the Compliance Adviser's officers who will act as the Compliance Adviser's contact persons between the Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules.

Pursuant to Rule 19A.05(2) of the Listing Rules, we shall ensure that the Compliance Adviser retained by us will have access at all times to our Authorised Representatives, Directors and other officers. We shall also procure that such persons will provide promptly such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A and Rule 19A.06 of the Listing Rules. We shall ensure that there are adequate and efficient means of communication between our Company, our Authorised Representatives, Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser informed of all communications and dealings between us and the Stock Exchange.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Stock Exchange:

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

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

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

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "relevant experience":

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

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Zhong Zhihua (鍾志華) as one of our joint company secretaries. He joined the Company in September 2000 and acts as office officer, and has more than seven years of experience in administrative management matters with sound understanding of the operations of the Company. For details of Mr. Zhong Zhihua, please see the section headed "Directors, Supervisors and Senior Management – Joint Company Secretaries." Mr. Zhong Zhihua, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Zhong Zhihua will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by the Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;

- we have appointed Mr. Hong Kam Le (康錦里), who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Zhong Zhihua in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Zhong Zhihua to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary; and

- upon expiry of the three-year period, the qualifications and experience of Mr. Zhong Zhihua will be re-evaluated. Mr. Zhong Zhihua is expected to demonstrate to the Stock Exchange's satisfaction that he, having had the benefit of Mr. Hong Kam Le (康錦里)'s assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Stock Exchange for and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon expiry of the initial three-year period, the qualifications of Mr. Zhong Zhihua will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Zhong Zhihua has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

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 Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

CSRC APPROVAL

We have obtained approvals of the CSRC for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange on 30 October 2015. In granting such approval, the CSRC does not accept any responsibility for our financial soundness or for the accuracy of any of the statements made or opinions expressed in this Prospectus or in the Application Forms.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This Prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. Neither the delivery of this Prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

For applicants under the Hong Kong Public Offering, this Prospectus and the Application Forms set forth the terms and conditions of the Hong Kong Public Offering. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to agreement on the Offer Price between the Company and the Sole Global Coordinator (on behalf of the Underwriters). The International Offering is expected to be underwritten by the International Underwriters. The Global Offering is coordinated by the Sole Global Coordinator.

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

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (on behalf of the Underwriters) and us on or around Tuesday, 5 January 2016, and in any event no later than Friday, 8 January 2016.

If, for any reason, the Sole Global Coordinator (on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on or before Friday, 8 January 2016, or such later date or time as may be agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Offer Shares described in this Prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

The Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). No part of the share or loan capital of the 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.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

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

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

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

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

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

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Applications Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Sole Sponsor, the Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager, the Underwriters, or any of their respective directors, agents, employees, affiliates or advisors or any other party involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” and the relevant Application Forms.

H SHARE REGISTRAR AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar. Our principal register of members will be maintained by us at our head office in China.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and the Company’s compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering 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 H Shares. None of the Company, the Sole Sponsor, the Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding, disposing of, or dealing in our H Shares or the exercise of any rights attaching to our H Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in "How to Apply for Hong Kong Offer Shares" and in the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

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

LANGUAGE

If there is any inconsistency between the English version of this Prospectus and the Chinese translation of this Prospectus, the English version of this Prospectus should prevail. If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this Prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

In this Prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. No representation is made that the Renminbi amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.83529 to HK$1.00, the exchange rate prevailing on 21 December 2015, set by the PBOC for foreign exchange transactions.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Lv Yaoneng (呂耀能)	Block 12, Jinse Jiayuan 618 Heping Road Wutong Street, Tongxiang City Zhejiang Province, PRC	Chinese
Mr. Lv Dazhong (呂達忠)	21-1 Jinse Jiayuan 618 Heping Road Wutong Street, Tongxiang City Zhejiang Province, PRC	Chinese
Mr. Li Jinyan (李錦燕)	22-2 Jinse Jiayuan 618 Heping Road Wutong Street, Tongxiang City Zhejiang Province, PRC	Chinese
Mr. Lu Zhicheng (陸志城)	Block 7, Jinse Jiayuan 618 Heping Road Wutong Street, Tongxiang City Zhejiang Province, PRC	Chinese
Mr. Shen Haiquan (沈海泉)	Room 1112, Block 9, Qinqin Jiayuan Wutong Street, Tongxiang City Zhejiang Province, PRC	Chinese
Mr. Zheng Gang (鄭剛)	Room 602, Block 39, Wanjia Garden Nanhu District, Jiaxing City Zhejiang Province, PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Xu Guoqiang (徐國強)	6/F, Jinyuan Building 125 Xiaochang Road West Tongxiang City Zhejiang Province, PRC	Chinese
Mr. Lin Tao (林濤)	1903, Block 4 Xicheng Nianhua Xihu District, Hangzhou City Zhejiang Province, PRC	Chinese
Mr. Wong Ka Wai (王加威)	Room 603, 6/F Ha Lung Building 25-29 Ko Shing Street Sheung Wan, Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. Shen Bingkun (沈炳坤)	Room 201, Block 2 92 Fuxing South Road Wutong Street, Tongxiang City Zhejiang Province, PRC	Chinese
Mr. Zou Jiangtao (鄒江滔)	Room 102, Block 19 Lvdoujinyuan Wutong Street, Tongxiang City Zhejiang Province, PRC	Chinese
Mr. Lv Zili (呂自力)	No. 338 Xing Shiqiao Gaoqiao Town, Tongxiang City Zhejiang Province, PRC	Chinese
Mr. Chen Xiangjiang (陳祥江)	No. 3 Pige Road Gaoqiao Town, Tongxiang City Zhejiang Province, PRC	Chinese

For further information, see the section headed “Directors, Supervisors and Senior Management.”

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Guotai Junan Capital Limited *(A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO)* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	Guotai Junan Securities (Hong Kong) Limited *(A licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Co-Lead Manager	Supreme China Securities Limited Room D - F, 17/F. Hang Seng Tsuen Wan Building 289 Sha Tsui Road Tsuen Wan Hong Kong
Co-Managers	Ever-Long Securities Company Limited 18/F Dah Sing Life Building 99-105 Des Voeux Road Central Hong Kong Great Roc Capital Securities Limited Suite 3712 37/F West Tower Shun Tak Center 168-200 Connaught Road Central Hong Kong

Legal Advisers to the Company

As to Hong Kong Laws:
Li & Partners
22/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

As to PRC Laws:
AllBright Law Offices
14/F, Citigroup Tower
33 Hua Yuan Shi Qiao Road
Pudong New Area
Shanghai 200120, PRC

Legal Advisers to the Sole Sponsor and Underwriters

As to Hong Kong Laws:
Troutman Sanders
34/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC Laws:
Jingtian & Gongcheng Law Firm
Suite 1202-1204 K. Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai 200031, PRC

Auditors and Reporting Accountants

Ernst & Young
(Certified Public Accountants)
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Compliance Adviser

Guotai Junan Capital Limited
(A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO)
27/F, Low Block
Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong

Property Valuer	DTZ Debenham Tie Leung Limited 16/F, Jardine House 1 Connaught Place Central Hong Kong
Industry Consultant	Ipsos Limited 77 Leighton Road Causeway Bay Hong Kong
Receiving Bank	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

Registered office	Gaoqiao Town Jiaxing City Zhejiang Province PRC
Headquarters in the PRC	No. 669 Qingfeng South Road (South) Tongxiang City Zhejiang Province PRC
Principal place of business in Hong Kong	22/F, World-Wide House 19 Des Voeux Road Central Hong Kong
Company's website	**www.jujiang.cn** (the information contained on this website does not form part of this Prospectus)
Joint company secretaries	Mr. Zhong Zhihua 1-18 Jinse Jiayuan 618 Heping Road Wutong Street Tongxiang City Zhejiang Province PRC Mr. Hong Kam Le *Solicitor of the High Court of Hong Kong SAR* 22/F, World-Wide House 19 Des Voeux Road Central Hong Kong
Authorized representatives (for the purpose of the Listing Rules)	Mr. Lv Yaoneng Block 12, Jinse Jiayuan 618 Heping Road Wutong Street Tongxiang City Zhejiang Province PRC Mr. Zhong Zhihua 1-18 Jinse Jiayuan 618 Heping Road Wutong Street Tongxiang City Zhejiang Province PRC

Audit committee	Mr. Wong Ka Wai *(Chairman)* Mr. Lin Tao Mr. Xu Guoqiang
Remuneration and appraisal committee	Mr. Xu Guoqiang *(Chairman)* Mr. Lv Yaoneng Mr. Lin Tao
Nomination committee	Mr. Lin Tao *(Chairman)* Mr. Lv Yaoneng Mr. Xu Guoqiang
H Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	**China Construction Bank Corporation Tongxiang Branch** 15 Qingfeng Central Road Tongxiang City Zhejiang Province PRC **Industrial and Commercial Bank of China Limited Tongxiang Branch** 3 Zhenxing West Road Wutong Street, Tongxiang City Zhejiang Province PRC **China Guangfa Bank Jiaxing Branch** 1-3/F Dayangzhou Plaza 1383, 1399 Hongxing Road Jiaxing City, Zhejiang Province PRC **Industrial Bank Co., Ltd Jiaxing Branch** 267-283 Zhongshan West Road Jiaxing City, Zhejiang Province PRC **Ping An Bank Co., Ltd Yuhang Branch** 90 Wanyue Street, Nanyuan Street Yuhang District, Hangzhou PRC

Bank of Communications Co., Ltd Tongxiang Branch
366 Zhenxing East Road
Tongxiang City
Zhejiang Province
PRC

China Merchants Bank Co., Ltd Jiaxing Tongxiang Branch
128 Zhenxing East Road
Tongxiang City
Zhejiang Province
PRC

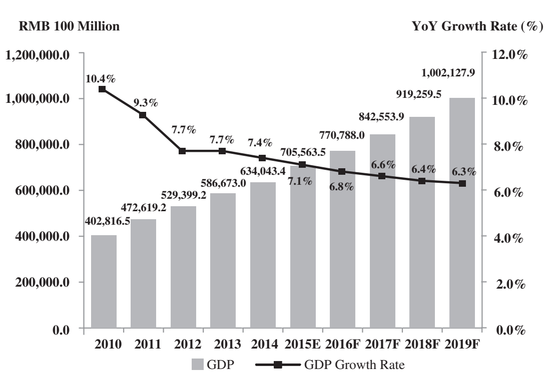
Evergrowing Bank Co., Ltd Jiaxing Branch
2297 Zhonghuan East Road
Nanhu District, Jiaxing City
Zhejiang Province
PRC

The information in this section has been derived from an independent report prepared by Ipsos. The industry report prepared by Ipsos is based on information from its database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, or any other party involved in the Global Offering. We, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, and any other party involved in the Global Offering make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.

MACRO-ECONOMIC ENVIRONMENT IN CHINA

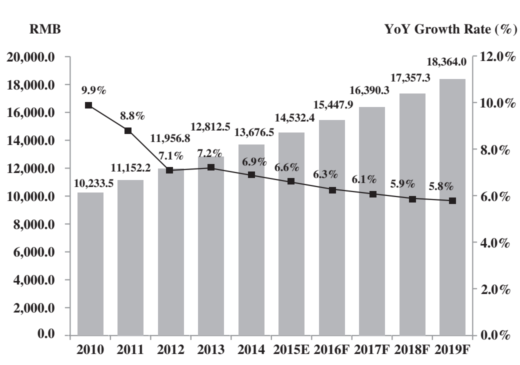
China has experienced significant economic growth in recent years despite the global financial crisis in 2008, and forecasts for continued growth of its economy remain strong. China's total GDP sustained high growth in the last five years, increasing at a CAGR of 12.0% from RMB40,281.7 billion for the year ended 31 December 2010 to RMB63,404.3 billion for the year ended 31 December 2014. During the same period, China's per capita GDP grew at a CAGR of 7.5% from RMB10,233.5 for the year ended 31 December 2010 to RMB13,676.5 for the year ended 31 December 2014. This growth is expected to continue its upward trend in the next five years, with China's total GDP and per capita GDP estimated to grow at a CAGR of 9.2% and 6.0%, respectively, for the period from 2015 to 2019.

Nominal GDP and Year-on-year ("YoY") real GDP Growth Rate in China from 2010 to 2019



Source: IMF

Real GDP Per Capita



Source: IMF

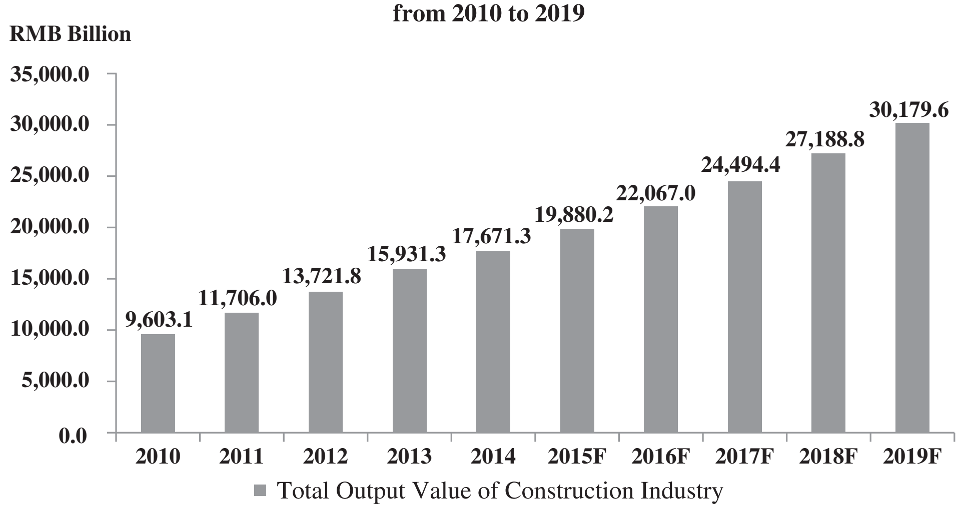
CONSTRUCTION INDUSTRY IN CHINA

Overview of the Construction Industry in China

China's rapid economic growth over the years has spurred the development of its construction industry. Given China's continuous urbanization in relation to improving community functions and facilities in urban areas, the demand for construction industry is expected to maintain its momentum. In 2014, the urbanization rate of China was 54.8%. Urbanization rate represents the rate of change in the size of the urban population over a certain period. By 2020, it is projected that approximately 100 million of the rural population will settle in urban areas, which will bring significant demand for new urban residential construction. In line with the historical trend of increases in the average fee for construction projects, the total output value of construction industry in China increased from RMB9,603.1 billion for the year ended 31 December 2010 to RMB17,671.3 billion for the year ended 31 December 2014, representing a CAGR of 16.5%. The total output value of China's construction industry is expected to increase from RMB19,880.2 billion for the year ending 31 December 2015 to RMB30,179.6 billion for the year ending 31 December 2019, representing a CAGR of 11.0%.

Output value represents the total amount of pecuniary investment by project owners in a construction project (excluding land price). As confirmed by *Ipsos*, the output value of general contractors also includes other construction works of the construction project, which are subcontracted to other parties. *Ipsos* further confirms that it is the norm in the PRC construction industry for output value of a general contractor to be 1.5 to 2.5 times its revenue. Output value is a publicly available statistic used as an indicator by official construction bodies in China, such as the Jiaxing City Construction Authority* (嘉興市城鄉規劃建設管理委員會). The revenue of general contractors is generally unavailable to official construction bodies as it is confidential or sensitive information. Therefore, it is unfeasible to assess the construction industry in China and make comparisons between PRC construction companies in terms of revenue. As such, according to *Ipsos*, output value is a commonly used parameter to assess the construction industry in China and the market position of companies in this industry.

Total Nominal Output Value of Construction Industry in China from 2010 to 2019



Source: National Bureau of Statistics

According to the National Bureau of Statistics, in 2014, there were around 46,113 general contracting enterprises in China. The top ten players in the construction industry in China accounted for merely an estimated 7.8% of the total output value of the construction industry in 2014, which implies that the construction industry in China is fragmented.

Regulatory Environment

The construction industry in China is subject to extensive laws and regulations at the national and local levels, which govern the quality, safety and environmental impact of construction-related services and products. For example:

- The *Construction Law of the PRC* (中華人民共和國建築法), issued on 1 November 1997, amended on 22 April 2011 and newly effective on 1 July 2011, provided for comprehensive supervision and administration on construction activities.

- The *Provisions on the Administration of the Qualifications of Construction Enterprises* (建築業企業資質管理規定), issued on 6 October 1995, last amended on 22 January 2015 and newly effective on 1 March 2015, set forth the qualification requirements for construction enterprises.

- The *Administrative Regulations on the Quality Management of Construction Engineering* (建設工程質量管理條例), issued and effective on 30 January 2000, established the safety and quality standards for construction projects.

For more information regarding the regulatory environment in China's construction industry, see "Regulatory Overview."

Key Growth Drivers

There are a number of factors driving the growth of China's construction industry, including:

- Continued public spending, which increases the level of construction activity. For example, the total fixed asset investment in the state budget funds of the PRC Government increased from RMB1,301.3 billion for the year ended 31 December 2010 to RMB2,541.1 billion for the year ended 31 December 2014, representing a CAGR of 18.2%. Moreover, in 2014, housing welfare expenditure in China was RMB496.8 billion, up from RMB443.3 billion in 2013, as the PRC Government aims to enhance social housing welfare.

- Government policies in support of foreign investments, which enable overseas companies to invest in China's real estate market. For example, under the new Catalogue for the Guidance of Foreign Investment Industries issued by NDRC and MOFCOM in 2015, the construction of golf courses and villas by foreign companies is still prohibited, but foreign companies are allowed to invest in the operation of golf courses and villas.

- Government incentives for "green building" in the form of subsidies and tax reductions, which are offered to real estate developers to promote sustainable building construction and accelerate the development of green building projects.

- Private sector participation, such as PPP and private sector investments, which is encouraged by the PRC Government and forms a significant portion of China's construction activities, is also a key driver of industry development. For example, the contribution in output value of private construction companies to the construction industry has increased from around 76.4% in 2010 to around 79.3% in 2013, and is approximately 84.1% in 2014.

- China's new construction activities are continuing. The rising urban population and growing power of consumers fuels demand for property. In line with continuous economic development and urbanization, brand new facilities and residential areas are being built each year in China, driving the development of construction industry. Moreover, the average life span of buildings in China is approximately 30 years, which ensures the demand for new construction.

Major Challenges

The principal challenges to the development of China's construction industry include:

- *Insufficient labor supply.* Labor supply in the PRC is insufficient to meet the growing number and increasing complexity of construction projects due to the following reasons: (i) China's working-age population experienced slower growth since 2011 and began to decline in 2014; (ii) China is shifting its development focus from exports and investments to domestic consumption, which creates more employment opportunities in services and less in construction and manufacturing; and (iii) the PRC Government's growing focus on the development of central and western regions could create potential labor shortages in more developed regions, such as Eastern China.

- *Increasing labor costs.* The rise in labor costs, which is a main component of construction costs, may cause the labor-intensive construction industry to face an increase in overall costs, which will hamper its profitability in the long run.

Barriers to Enter the Construction Industry in China

The main entry barriers into the construction industry in China include:

- *Qualifications.* General contractors are required to obtain qualifications approved by the MOHURD and local government authorities in order to perform construction contracting work in China. The scope and scale of a construction project that a general contractor can undertake depends on the general contractor's construction qualification. In China, this qualification is categorized into four different classes based on factors including, but not limited to, registered capital, track record, equipment and machinery capacity, minimum number of technical and managerial employees. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. Construction companies holding both certificates are able to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide. Moreover, they can charge a premium rate substantially higher than other construction companies in the market.

- *Reputation and track record.* In order to ensure the quality and safety of construction work, the PRC Government and private real estate developers tend to cooperate with major construction companies that have a proven track record and good reputation based on years of experience in the construction industry. Currently, large construction projects in China are mainly undertaken by a few top construction companies. New entrants to the market without a proven track record are at a disadvantage to winning large construction projects and obtaining contracts in general.

- *Financial strength.* Substantial capital is necessary in the construction services business, especially for purchasing costly raw materials as well as equipment and machinery. Further, state-owned commercial banks are generally reluctant to provide large sum unsecured loans to construction companies, resulting in high financing costs. Therefore, it is difficult for new entrants without sufficient capital and cash flow to undertake construction projects.

Market Trends

The construction industry in China has developed significantly in recent years as a result of high economic growth and a strong real estate market. Innovative technologies, building techniques and practices, concepts and construction products that are widely used in developed cities around the world are steadily being adopted by major construction companies in China. For example:

- The concept of "green building" is rapidly gaining traction in China and is expected to grow dramatically over the next few years as the PRC Government promotes the use of green building materials and low-carbon development models. In March 2014, the State Council released a comprehensive *National New-type Urbanization Plan (2014 – 2020)* (國家新型城鎮化規劃 (2014 – 2020年)). This plan aims to significantly increase the percentage of green buildings in new construction from approximately 2% in 2012 to approximately 50% in 2020.

- To increase energy efficiency, the construction industry is expected to change a number of building practices, products and services in China, such as using heat insulating materials on buildings to reduce the use of air conditioners. The PRC Government has set precise targets for saving energy and reducing carbon emissions and has been implementing plans for the adoption of a wide range of energy conserving technologies in public works such as schools, hospitals and airports.

- Historically, China's construction industry used to employ fixed and low-skilled labor. Labor subcontracting was permitted by PRC law in 2002 and has gained prevalence over the years to become a common practice in the PRC construction industry. The number of labor subcontracting agents in China has grown rapidly from around 1,200 companies in 2002 to around 7,200 companies in 2013. At the same time, the number of workers engaged in labor subcontracting has increased from around 343,700 in 2002 to around 3,173,900 in 2013. With rapidly increasing salaries and labor shortages occurring in many regions of China, the industry is adapting to changing circumstances and has been gradually adopting the use of more equipment and machinery, as well as a mix of fixed employees and subcontracted labor to allow increased flexibility in the size of a construction company's labor forces and reduce labor costs.

Price Trend of Raw Materials

The principal raw materials used in the construction industry primarily include steel, concrete and cement. The revenue and profitability of construction projects are directly impacted by raw material costs.

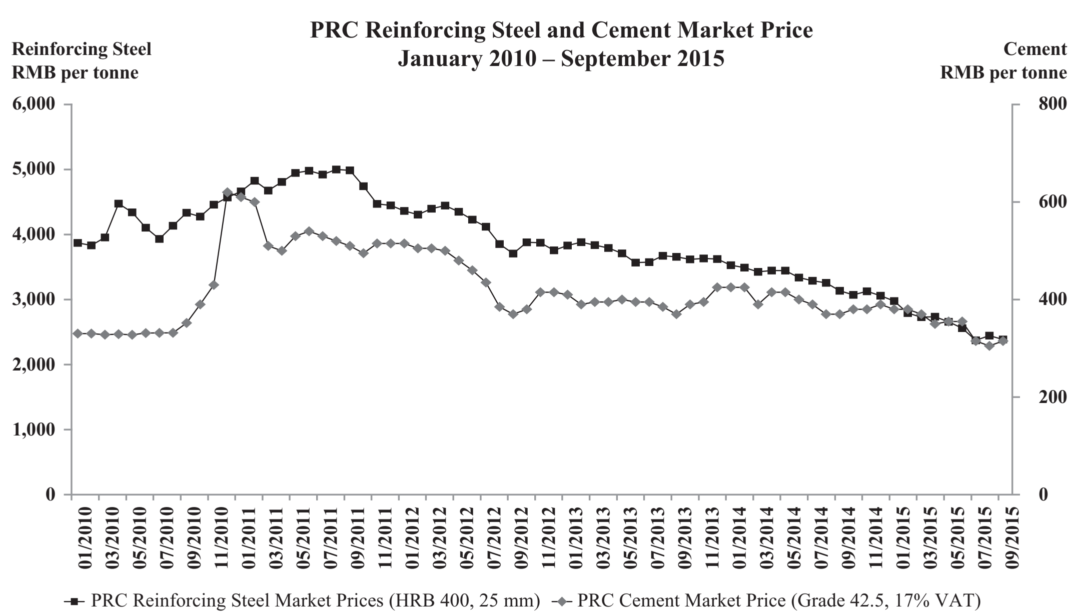
Reinforcing steel

Reinforcing steel is a major type of steel. The average market price in China for reinforcing steel increased from RMB4,199 per ton in the year of 2010 to RMB4,776 per ton in the year of 2011, and steadily decreased to RMB3,288 per ton in the year of 2014. The average market price for reinforcing steel in different areas may vary mainly due to the local conditions, such as its distance to the major reinforcing steel production areas in China, resulting higher transportation costs. The price of reinforcing steel fluctuated due to changing demand and supply dynamics in different years.

Cement and concrete

Cement is an ingredient of concrete and the price of concrete will fluctuate with that of cement. The average market price of cement in China increased from approximately RMB357 per ton in the year of 2010 to approximately RMB404 per ton in the year of 2011 and subsequently dropped to approximately RMB353 per ton in the year of 2014. The price of cement varied year on year, which is mainly attributable to changing demand and supply dynamics in different years. The year-on-year growth in the demand of cement slowed down in 2012 and is expected to slow down further in 2015.

The following chart sets out the monthly price movement of reinforcing steel and cement in China from January 2010 to September 2015:



MACRO-ECONOMIC ENVIRONMENT AND CONSTRUCTION INDUSTRY IN EASTERN CHINA

Overview

Our business operations are principally located in Eastern China, which consists of Zhejiang, Anhui, Fujian, Shandong, Jiangxi and Jiangsu Provinces and Shanghai municipality. Eastern China is the strongest economic region compared to other regions in China, such as western and central China. In 2014, all Eastern China provinces or regions were strong economies, each maintaining a GDP figure of over RMB1.0 trillion. Other than Anhui and Jiangxi Provinces, the rest of the Eastern China regions had a GDP per capita RMB63,670.8 in 2014, which was higher than the national average. These higher GDP numbers reflect the higher level of business and economic activities in Eastern China.

Eastern China has seen a rapid growth in the construction industry indicated by a double digit CAGR from 2010 to 2014, and such growth rate is projected to remain at similar level in the next few years in terms of the total output value in all provinces or regions of Eastern China except for Shanghai municipality. The high growth rate in the output value of construction industry in Eastern China is driven by factors, including growing urbanization, industrial expansion, social and economic development, investments in fixed assets, construction investments, and government policies in favor of developing new construction and infrastructure.

By Geography

Zhejiang, Anhui and Jiangsu Provinces are key regions where we generated a significant portion of our revenue during the Track Record Period.

Zhejiang Province

Zhejiang Province is one of the three strongest economies in Eastern China. The total output value of the construction industry in Zhejiang Province increased from RMB1,186.0 billion for the year ended 31 December 2010 to RMB2,266.8 billion for the year ended 31 December 2014, representing a CAGR of 17.6%. The total output value of the construction industry in Zhejiang Province is expected to increase from RMB2,557.0 billion for the year ending 31 December 2015 to RMB3,994.8 billion for the year ending 31 December 2019, representing a CAGR of 11.8%. The table below sets out selected data relating to economic development in Zhejiang Province for the years indicated:

	2010	2011	2012	2013	2014	2010-2014 CAGR
GDP (RMB in billions)	2,722.7	3,200.0	3,460.6	3,756.9	4,015.4	10.2%
GDP growth rate (%)	19.2	17.5	8.1	8.6	6.9	N/A
GDP per capita (RMB)	49,984.9	58,576.1	63,184.8	68,331.2	72,821.0	9.9%
Fixed asset investment (RMB in billions)	843.8	1,365.2	1,709.6	2,019.4	2,355.5	29.3%
Real estate investment (RMB in billions)	303.0	413.7	522.6	621.6	667.1	21.8%
Population (millions)	54.5	54.6	54.8	55.0	55.1	0.3%

Source: National Bureau of Statistics

Anhui Province

The total output value of the construction industry in Anhui Province increased from RMB287.1 billion for the year ended 31 December 2010 to RMB548.3 billion for the year ended 31 December 2014, representing a CAGR of 17.6%. The total output value of the construction industry in Anhui Province is expected to increase from RMB608.6 billion for the year ending 31 December 2015 to RMB930.6 billion for the year ending 31 December 2019, representing a CAGR of 11.2%. The table below sets out selected data relating to economic development in Anhui Province for the years indicated:

	2010	2011	2012	2013	2014	2010-2014 CAGR
GDP (RMB in billions)	1,226.3	1,511.0	1,721.2	1,903.9	2,084.9	14.2%
GDP growth rate (%)	22.0	23.2	13.9	10.6	9.5	N/A
GDP per capita (RMB)	20,586.5	25,318.9	28,744.2	31,573.6	34,438.1	13.7%
Fixed asset investment (RMB in billions)	1,028.1	1,200.8	1,494.4	1,809.1	2,106.9	19.6%
Real estate investment (RMB in billions)	225.2	259.0	315.2	394.6	433.9	17.8%
Population (millions)	59.6	59.7	59.9	60.3	60.5	0.4%

Source: National Bureau of Statistics

Jiangsu Province

Jiangsu Province is one of the three strongest economies in Eastern China. The total output value of the construction industry in Jiangsu Province increased from RMB1,232.4 billion for the year ended 31 December 2010 to RMB2,459.3 billion for the year ended 31 December 2014, representing a CAGR of 18.9%. The total output value of the construction industry in Jiangsu Province is expected to increase from RMB2,779.0 billion for the year ending 31 December 2015 to RMB4,372.8 billion for the year ending 31 December 2019, representing a CAGR of 12.0%. The table below sets out selected data relating to economic development in Jiangsu Province for the years indicated:

	2010	2011	2012	2013	2014	2010-2014 CAGR
GDP (RMB in billions)	4,090.3	4,860.4	5,405.8	5,916.2	6,508.8	12.3%
GDP growth rate (%)	20.1	18.8	11.2	9.4	10.0	N/A
GDP per capita (RMB)	51,980.4	61,532.2	68,255.3	74,520.4	81,738.4	12.0%
Fixed asset investment (RMB in billions)	1,741.7	2,631.4	3,047.4	3,598.3	4,155.3	24.3%
Real estate investment (RMB in billions)	430.2	555.3	620.6	724.2	824.0	17.6%
Population (millions)	78.7	79.0	79.2	79.4	79.6	0.3%

Source: National Bureau of Statistics

MACRO-ECONOMIC ENVIRONMENT AND CONSTRUCTION INDUSTRY IN JIAXING

Overview

The GDP of Jiaxing, Zhejiang Province grew from RMB230.0 billion for the year ended 31 December 2010 to RMB335.3 billion for the year ended 31 December 2014, representing a CAGR of 9.9%. GDP per capita grew from RMB51,058.8 for the year ended 31 December 2010 to RMB73,093.5 for the year ended 31 December 2014, representing a CAGR of 9.4%. The table below sets out selected data relating to economic development in Jiaxing for the years indicated:

	2010	2011	2012	2013	2014	2010-2014 CAGR
GDP (RMB in billions)	230.0	267.7	289.1	314.8	335.3	9.9%
GDP growth rate (%)	19.9	16.4	10.5	8.9	6.5	N/A
GDP per capita (RMB)	51,058.8	57,759.9	63,613.6	69,058.8	73,093.5	9.4%
Fixed asset investment (RMB in billions)	148.8	148.8	164.3	191.0	222.1	10.5%
Real estate investment (RMB in billions)	27.0	38.3	41.6	51.1	52.6	18.1%
Population (millions)	4.5	4.5	4.5	4.6	4.6	0.6%

Source: National Bureau of Statistics

The total output value of the construction contracting industry in Jiaxing accounted for over 90% of the total output value of the construction industry in Jiaxing, which increased from RMB59.0 billion for the year ended 31 December 2010 to RMB98.5 billion for the year ended 31 December 2014, representing a CAGR of 13.7%. The total output value of the construction contracting industry in Jiaxing is expected to increase from RMB103.4 billion for the year ending 31 December 2015 to RMB157.0 billion for the year ending 31 December 2019, representing a CAGR of 11.0%. The growth in the total output value of construction contracting industry in Jiaxing is primarily driven by factors including, among others, continued urbanization, industrial expansion, social and economic development, growth in fixed asset investment, growth in the number of construction companies and the local government's focus on developing the construction industry.

Competitive Landscape

The construction industry in Jiaxing has seen rapid growth in recent years. The total number of construction companies in Jiaxing increased from 443 in 2010 to 564 in 2014. Most of such general contractors hold third class certificates, with fewer general contractors holding second class and first class certificates. However, the number of the general contractors holding first class certificates grew faster at a CAGR of 13.7% from 2010 to 2014, as compared to the growth of the number of general contractors holding second class and third class certificates. Nonetheless, the Company was the only construction company in Zhejiang Province that was granted the Premium Class Certificate and the Engineering Design Certificate as of 30 June 2015.

The structure of the construction industry in Jiaxing is similar to that of China and Eastern China. For small construction projects, the market supply exceeds demand, and as a result the competition is more intense. For more complex and medium-to large-sized construction projects, the competition is less and the profit margins are relatively higher. This is primarily due to lower competition among a small number of construction companies that have the necessary skills, experience and capacity to take on such projects. Construction companies in Jiaxing mainly compete on the following aspects:

- Companies need capital to operate in the construction industry and need to have financial capacity to spend throughout the project, starting from the time of tender when a bid bond is paid for medium and large-size construction projects to cover expenses of the project. Moreover, construction companies are also required to pay security deposits to ensure that they follow the contract, and perform safe and high-quality work.

- Construction companies must hold the requisite qualifications to be able to tender and undertake construction projects. The architectural decoration industry-related qualifications are issued by the MOHURD, which performs a strict examination and management process for applicants. In order to obtain such a qualification, the construction companies must meet several requirements, including, among others, construction performance, size, personnel and equipment. Those able to obtain higher qualifications are more capable of holding a larger market share.

- Costs of construction projects significantly impact the business operations of construction companies. Costs to construction companies mainly include labor services and construction materials. Costs of construction materials (including domestic supplies of steel and concrete) fluctuate based on several factors, such as changes in supply and demand, political and economic environments.

- Construction companies are operating in a more open and standardized market, which is shifting from being primarily a cost-driven market to a technology-and management-driven market. The competitive advantage of large construction companies mainly includes having superior technology, management and equipment, enabling them to take more market share. Many of these large construction companies bid for middle-sized construction projects, while smaller enterprises mainly undertake small construction projects and subcontracting work.

Key Market Players

The construction industry in Jiaxing is less fragmented compared to that of China and Eastern China. The top five players comprised 31.4% of the construction industry in Jiaxing in terms of output value in 2014. In 2014, we were the largest construction company in Jiaxing in terms of output value, holding a market share of 10.4%. The following table sets forth the rankings and market shares of the top five construction companies in Jiaxing in terms of output value for the year ended 31 December 2014:

Ranking	Company	Output value	Market share
		RMB million	*%*
1	The Company	10,276.9	10.4
2	Hongxiang Helding Group (浙江鴻翔建設集團有限公司)	7,663.6	7.8
3	Boyuan Construction Co., Ltd. (浙江博元建設股份有限公司)	5,302.0	5.4

Ranking	Company	Output value	Market share
		RMB million	*%*
4	Zhongyuan Construction Group Co., Ltd. (中元建設集團股份有限公司)	5,088.8	5.2
5	Zhenye Construction Group Co., Ltd. (振業建設集團有限公司)	2,544.6	2.6

Source: Ipsos

The output value of our construction projects is significantly higher than our revenue in 2014 because output value represents the total amount of pecuniary investment by project owners in a construction project (excluding land price). This includes construction works not performed by us on construction projects in which we participate. In comparison, revenue represents the amount we recognized on a construction project with reference to the construction works performed by us and certified by independent surveyors.

CONSTRUCTION SAFETY

Construction accidents are divided into four categories under PRC law. See "Regulatory Overview – Work Safety Accidents Regulations." The fourth and lowest category is general accidents, which are accidents with less than three deaths, serious injuries of less than ten people or that incur less than RMB10 million in direct economic losses. The following table sets forth the total number of building construction accidents and deaths, and general building construction accidents and deaths, in China and Zhejiang Province, respectively, for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	PRC	Zhejiang Province	PRC	Zhejiang Province	PRC	Zhejiang Province
Total number of accidents	487	45	528	44	522	39
Total number of deaths	624	52	674	52	648	41
Number of general accidents	458	43	503	44	493	39
Number of deaths in general accidents	503	46	572	52	546	41

There is no available data for industry average for construction accidents and related deaths in the PRC. Such data is not tracked by the PRC Government and construction related bodies.

SOURCE OF INFORMATION

We commissioned *Ipsos*, an Independent Third Party, to conduct a customized and detailed analysis of the construction industry in China in order to evaluate the existing market scale and future market potential, and provide an objective and fair overview of China's construction industry in its report.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, Ipsos SA became and is the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. *Ipsos* conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos Business Consulting, a division of *Ipsos*, has experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange.

Ipsos primarily adopted a full-circle information collection methodology, combining data and intelligence collected through desk research, client consultation and primary research. Primary research involved interviews with key stakeholders and industry experts in China, including but not limited to construction companies, government officials, industry experts and associations. Client consultation provided background information about the company. This methodology guaranteed a full circle/multi-level information sourcing process, where information gathered was able to be cross-referenced to ensure accuracy. *Ipsos* sought to ensure the accuracy of the projections included in its report by using its in-house analysis models and techniques to analyze, assess and validate data and intelligence.

We paid *Ipsos* HK$428,000 for its research services, which we believe reflects the prevailing market rate. Except for the Ipsos Report, we have not appointed anyone else to prepare any other research report for the listing report or this Prospectus. We prepared this section of this Prospectus based on Ipsos Report so as to provide our prospective investors with a comprehensive description of our industry. This Prospectus also records some information excerpted from Ipsos Report, which can be referred to in "Summary and Highlights," "Risk Factors," "Business" and "Financial Information." Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW

We engage in the construction contracting business and other businesses, namely, our design, survey and consultancy business and our civil defense products manufacturing business. Below is a summary of regulations which are material to our Group. For a comparison of the laws between Hong Kong and the PRC, see "Appendix V – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions."

REGULATORY AUTHORITIES

The principal governmental authorities in the PRC that regulate the business of our Group are:

- The MOHURD and the local administrative authorities governing construction, which are responsible for: (i) the administration of requirements and qualifications of enterprises in the construction industry, including the review and approval of market entry requirements for, and the endorsement and confirmation of qualifications of, various types of construction enterprises, the establishment of industry standards and codes, and the supervision and administration of industry quality; (ii) the supervision and administration of the qualifications for carrying out national construction, engineering exploration, design and engineering cost consulting businesses; (iii) the supervision and administration of construction, engineering exploration, design and engineering cost consulting activities; (iv) the supervision and administration of the examination of working drawings and design documents of construction projects; and (v) the supervision and administration of urban-rural planning formulation;

- The NDRC and the local development and reform commissions, which are responsible for the planning, review and approval of construction projects with fixed asset investments;

- The MOFCOM and the local administrative authorities for commerce, which are responsible for the supervision and administration of the qualifications and bidding processes of enterprises contracting for overseas projects and the establishment of any overseas company through outbound investments by such enterprises, as well as foreign investments in the construction industry;

- The State Administration of Work Safety and the local administrative authorities for work safety, which are responsible for the supervision and administration of construction safety in the PRC; and

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

QUALIFICATIONS

Administration of Qualifications

Pursuant to the *Construction Law of the PRC* and other relevant laws and regulations, an enterprise engaged in construction, survey, design and project supervision activities shall obtain different classes of qualifications, which have varying requirements for registered capital, specialized technical personnel, technical equipment in their possession and achievements in construction projects completed and may only be permitted to contract for those construction works that fall within the scope permitted by its qualification class. According to Article 23 of the *Provisions on the Administration of the Qualifications of Construction Enterprises*, the relevant government authorities shall not grant the Premium Class Certificate to applicants who have had two or more general accidents in the past year.

Specialized technical personnel engaging in building operations shall obtain corresponding qualification certificates for operations in accordance with PRC law and engage in building operations within the scope permitted by the qualification certificates.

Qualifications for Construction Contracting

The *Construction Law of the PRC, Provisions on the Administration of the Qualifications of Construction Enterprises*, *Qualification Standards of Construction Enterprises* (建築業企業資質標準), issued on 6 November 2014 and effective on 1 January 2015, the Premium Class Standards, the *Implementing Measures of Premium Class Qualification Standards for General Construction Contractors* (施工總承包企業特級資質標準實施辦法), issued and effective on 30 November 2010, the *Construction Enterprise Qualification Management Regulations and the Implementation of Quality Standards* (建築業企業資質管理規定和資質標準實施意見), issued on 31 January 2015 and effective on 1 March 2015, the *Qualification Standards of Construction Labor Subcontracting Enterprises* (建築業勞務分包企業資質標準), issued and effective on 8 March 2001, together with other regulations stipulate the application requirements and the scope of contracting of construction enterprises.

Construction enterprises shall comply with the aforesaid regulations and apply for relevant qualifications accordingly to engage in the construction contracting business. Qualifications for construction enterprises are categorized into three groups, namely, general construction contracting, specialized subcontracting and labor subcontracting. The general construction contracting qualification is divided into four classes, namely, the premium class, the first class, the second class and the third class. The specialized subcontracting qualification is divided into three classes, namely, the first class, the second class and the third class.

The *Qualification Standards of Construction Enterprises* sets forth detailed provisions on the requirements for each type and class of qualification mentioned above and the premium class qualification standards are prescribed separately in the Premium Class Standards.

Enterprises holding the Premium Class Certificate may undertake all grades of general contracting for construction and design and carry out the business of general contracting for engineering and project management in accordance with the scope of the qualification.

Enterprises holding the qualification for general construction contracting work may undertake construction project management services in accordance with the scope of the qualification. Such enterprises may undertake all aspects of the construction works themselves, or subcontract non-essential construction works to subcontracting enterprises. Such enterprises may also hire labor subcontracting agents to carry out the construction work. Construction work should be subcontracted to subcontracting enterprises with relevant qualifications, and labor work should be subcontracted to labor subcontracting agents with relevant qualifications.

Enterprises holding subcontracting certificates may undertake projects subcontracted from a general construction contractor in compliance with relevant regulations. An enterprise that has obtained subcontracting certifications should undertake the entire subcontracting project itself but a subcontracting enterprise may subcontract any labor work to labor subcontracting agents with relevant qualifications in accordance with relevant PRC laws and regulations.

If the construction enterprise needs to continue to use qualification certificates after the period of validity expires, an application for renewal shall be made within three months before the expiration.

Qualifications for Construction Design and Survey

Pursuant to the *Regulations on the Administration of Survey and Design of Construction Projects* (建設工程勘察設計管理條例), issued on 25 September 2000 and amended and newly effective on 12 June 2015, and the *Provisions on the Administration of Qualifications for Survey and Design of Construction Projects* (建設工程勘察設計資質管理規定), issued on 26 June 2007 and amended and newly effective on 4 May 2015, the PRC Government has implemented a system of qualification administration for enterprises engaged in construction survey and design. Enterprises engaged in construction survey and design shall apply for certifications based on a number of criteria, including their registered capital, professional and technical such as personnel, technical equipment and achievements of survey and design before they undertake construction survey and design activities. According to Article 23 of the *Provisions on the Administration of the Qualifications of Construction Enterprises*, the relevant government authorities shall not grant the Engineering Design Certificate to applicants who have had two or more general accidents in the past year.

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

The scope of work that enterprises are allowed to provide depends on the specific type and grade of their certificates:

(a) An enterprise with the Grade A comprehensive construction design certificate may provide construction design services for all types of construction projects;

(b) An enterprise with the industry-specific construction design certificate may provide construction design services within the scope of the qualifications grade and related specialty and specific construction design services (other than those requiring integrated design and construction certifications) in the relevant industry and of the same grade;

(c) An enterprise with the specialty construction design certificate may provide construction design services within the relevant specialty of a corresponding qualifications grade and related specific construction design business (other than those requiring integrated design and construction certifications) of the same grade; and

(d) An enterprise with the specific construction design certificate may provide specific construction design services of a corresponding qualifications grade.

The *Qualification Standards of Construction Design* (工程設計資質標準), issued and effective on 29 March 2007, sets forth detailed provisions on application requirements of each type and grade mentioned above.

Pursuant to the *Provisions on the Administration of Qualifications for Survey and Design of Construction Projects*, an enterprise shall submit an application to the original licensing department for renewal of registration within 60 days before the expiration date. The renewal process is based on various factors, including whether the company has complied with relevant laws, regulations, technical standards during the validity period, has poor credit history, and has met the standard for registered capital, professional and technical staff. The period of validity for the renewal qualification shall be five years.

BIDS

According to the *Construction Law of the PRC* and the *Tender and Bidding Law of the PRC* (中華人民共和國招標投標法), issued on 30 August 1999 and effective on 1 January 2000, certain large-scale infrastructure and public works projects relating to social and public welfare and safety within the PRC, including the survey, design, engineering and supervision of such projects, as well as the procurement of major equipment and materials regarding engineering and construction, shall be subject to bidding. The bid winner may, according to the provisions of the contract or the consent of the project owner, subcontract non-vital parts of the project.

The *Provisions on the Scope and Threshold of Construction Projects for Bid Invitation* and the *Administrative Measures of Tender and Bidding for Construction of Buildings and Public Infrastructures* (房屋建築和市政基礎設施工程施工招標投標管理辦法), issued and effective on 1 June 2001, provide the specific requirements for bidding. For example, for any of the aforesaid projects, construction contracts of more than RMB2.0 million in value, procurement contracts of more than RMB1.0 million in value, service contracts of more than RMB0.5 million in value or total project investments of more than RMB30.0 million shall be subject to bidding. No company or individual is permitted to evade the bidding process by splitting a project for which a bid must be invited according to law or by any other means. Invitations for survey and design bidding for construction projects are categorized as public tender and tender by invitation. A bid inviter may, in light of the various characteristics of a construction engineering project, conduct an overall bidding process for exploration and design or conduct separate processes in stages as required without prejudicing the integrity and continuity of the project. A bid may not be invited if approved by the competent authority for the exploration, design of construction projects requiring patented or special technologies or having special requirements on the artistic design of the construction.

The *Provisions on Tender and Bidding of Survey and Design of Construction Project* (工程建設項目勘察設計招標投標辦法), issued on 12 June 2003, amended on 11 March 2013 and newly effective on 1 May 2013, the *Provisions on Tender and Bidding of Construction Projects* (工程建設項目施工招標投標辦法), issued on 8 March 2003, amended on 11 March 2013 and newly effective on 1 May 2013, the *Regulation on the Implementation of the Tender and Bidding Law of the PRC* (中華人民共和國招標投標法實施條例), issued on 20 December 2011 and effective on 1 February 2012, and relevant specific provisions specify the requirements and procedures for bidding.

CONSTRUCTION SAFETY

The *Work Safety Law of the PRC* (中華人民共和國安全生產法), issued on 29 June 2002, last amended on 31 August 2014 and newly effective on 1 December 2014, provides that a production enterprise must meet the national legal standards or industry standards on work safety and provide work conditions set out in relevant laws, administrative rules and national or industry standards. An entity that cannot provide required work conditions may not engage in production activities. The designers and the design firms for the safety facilities of a construction project are liable for their designs. A production enterprise must present prominent warning signs at relevant dangerous operation sites, facilities and equipment.

According to the *Regulations on the Administration of Work Safety of Construction Projects* (建設工程安全生產管理條例), issued on 24 November 2003 and effective on 1 February 2004, an enterprise responsible for the work safety of a construction project shall assume the liabilities of the work safety of the construction project. In the case of a project covered by a main contract, the general contractor will be liable for the general work safety of the construction site and assume joint and several liabilities for the sub-contracted portions of the project together with the sub-contractors. A construction enterprise must purchase accidental injury insurance for the workers engaged in dangerous works on the construction site for injuries suffered in work-related accidents, and the insurance premium will be paid by the construction entity. In the case of a construction work covered by a main contract, the insurance premium will be paid by the general contractor. The period covered by the insurance policies should commence on the start date of the construction project and terminate on the date of the inspection and acceptance upon the completion of the project.

According to the *Regulations on the Administration of Work Safety of Construction Projects*, the competent construction administrations under the PRC Government at the county level or above shall carry out supervision and administration of work safety of the construction projects within the relevant administrative areas.

Work Safety Accidents Regulations

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

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

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

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

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

Work Safety Permits

Pursuant to the *Work Safety Law of the PRC,* the *Regulation on the Work Safety Permits* (安全生產許可證條例), issued on 13 January 2004, last amended on 29 July 2014 and newly effective on 1 December 2014, the *Regulation on the Administration of Work Safety of Construction Projects*, and the *Provisions on the Administration of Construction Enterprises' Work Safety Permits* (建築施工企業安全生產許可證管理規定), issued on 5 July 2004 and amended and newly effective on 22 January 2015, and other relevant laws and regulations, constructing enterprises shall be subject to the work safety permit system implemented by the PRC Government and apply for a Work Safety Permit (安全生產許可證). Before undertaking any construction activity, a construction enterprise shall file an application to the competent department of construction at or above the provincial level for obtaining a work safety license. Without work safety permits, construction enterprises shall not engage in construction activities.

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

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

Accident Prevention

In order to ensure construction safety and prevent accidents, the MOC introduced the *Provisions on the Falling Substance Accident Prevention of the Construction Projects* (建築工程預防高處墜落事故若干規定), issued and effective on 17 April 2003, where it sets out strict rules on staff and equipment requirements for height operation under a strict liability regime.

Pursuant to the *Provisions on Collapse Prevention of Construction Projects* (建築工程預防坍塌事故若干規定), issued and effective on 17 April 2003, in order to prevent accidents and ensure construction safety, the unit engaged in engineering construction, reconstruction, expansion and other activities is required to prepare the construction plan, which should be strictly based on the geological conditions, construction technologies, working conditions and the surrounding environment.

Safety Training and Labor Protection

Pursuant to the *Interim Provision on Safety Training for Construction Works* (建築業企業職工安全培訓教育暫行規定), issued and effective on 17 April 1997, and the *Interim Measures of Construction Workers Using Personal Protective Equipment* (建築施工人員個人勞動保護用品使用管理暫行規定), issued and effective on 5 November 2007, all construction workers must receive regular safety training and adhere to the principle of training first, before carrying out their work. It also provides strict rules on the construction site and the use and management of the personal safety equipment.

QUALITY CONTROL

The *Administrative Regulations on the Quality Management of Construction Engineering* provides that enterprises that develop a project or undertake the survey, design, construction or supervision work of the project are responsible for the quality control of the project. All construction activities must be conducted in strict compliance with basic construction procedures and in the order of survey, design and then construction. The quality warranty system shall be applied to construction projects. If any quality issues of the construction project arise within the warranty period, the construction enterprise shall perform the warranty obligations and compensate for any losses incurred thereof. The PRC Government implemented a quality supervision and administration system for construction projects. The relevant construction administrative authorities of the State Council are responsible for the overall supervision and administration of the quality of construction projects in the PRC. The competent authorities of the State Council, such as the Ministry of Railways, the Ministry of Transport and the Ministry of Water Resources shall be responsible for the supervision and administration of the quality of professional construction projects in the PRC. A survey enterprise shall conduct surveying in accordance with the relevant PRC laws and regulations regarding the quality of construction projects, the mandatory standards for project construction, and the relevant surveying contract and shall be responsible for the quality of its survey.

PROJECT PRICE

The *Provisional Regulations on Construction Project management for Contracting Price* (建設工程施工發包與承包價格管理暫行規定), issued and effective on 6 January 1999, the *Pricing Management Approach of Contracting of Construction Projects* (建築工程施工發包與承包計價管理辦法), issued on 11 December 2013 and effective on 1 February 2014, and the *Interim Measures for Settling Construction Price* (建設工程價款結算暫行辦法), issued and effective on 20 October 2004, sets forth the construction cost, pricing, valuation methods, the time of payment and dispute resolution methods of the construction projects.

INSPECTION AND ACCEPTANCE OF CONSTRUCTION PROJECTS

Pursuant to the *Rules of As-built Inspection of Housing, Building and Municipal Infrastructure Projects* (房屋建築和市政基礎設施工程竣工驗收規定), issued and effective on 2 December 2013, after completing the project, an inspection team comprising design, survey, construction, supervision units should be established. Each unit is required to report the compliance status of engineering contracts, the implementation of laws, regulations and mandatory standards for construction in various aspects of the construction.

Pursuant to the *Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects* (房屋建築和市政基礎設施工程竣工驗收備案管理辦法), issued and effective on 19 October 2009, the filing of the as-built inspection of various housing, building and municipal infrastructure projects, including new building, expansion and rebuilding projects, within the territory of the PRC shall be governed by the measures. A construction entity shall, in accordance with the measures, go through the filing formalities with the construction administrative department of the people's government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed.

CIVIL DEFENSE PRODUCT MANUFACTURING

Pursuant to the *Civil Air Defense Law of the PRC* (中華人民共和國人民防空法), issued on 29 October 1996 and effective on 1 January 1997, the design, construction and quality of civil defense products must conform to the protection and quality standards set by the PRC Government. The final design and manufacture of special equipment for civil defense products must conform to the standards set by the PRC Government.

Before the implementation of the *Temporary Administrative Measures for Manufacture and Installment of Special Equipment Used in Civil Air Defense* (人民防空專用設備生產安裝管理暫行辦法), issued and effective on 19 October 2014, enterprises engaged in the manufacture and installment of civil defense products shall apply for the License for Designated Manufacturer and Installer of Defense Equipment Used in Civil Defense (人防工程防護設備定點生產和安裝許可證). Applicants must satisfy a number of requirements, including but not limited to: (i) a registered capital of over RMB10 million; (ii) a number of engineers holding national qualifications, technical personnel and quality control personnel; (iii) a production facility that meets the size and functional requirements; (iv) the relevant manufacturing machinery and quality testing equipment; and (v) internal control policies related to management, product quality control, safety, aftermarket customer service and confidentiality.

Pursuant to the *Temporary Administrative Measures for Manufacture and Installment of Special Equipment Used in Civil Air Defense*, enterprises engaged in the manufacture and installment of the civil defense products shall be subject to evaluation by the *Civil Air Defense and Underground Space Chapter of China Exploration and Design Association* (中國勘察設計協會人民防空與地下空間分會). The evaluation criteria for such license is substantially similar to the requirements for the License for Designated Manufacturer and Installer of Defense Equipment Used in Civil Defense. If such enterprise passes the evaluation, it will receive the License for Practice Capability Standard Enterprise of Manufacture and Installment of Special Equipment Used in Civil Air Defense (人民防空專用設備生產和安裝從業能力達標企業證書) and its name will be included in the *Civil Air Defense Special Equipment Product Catalogue* (人民防空專用設備產品目錄). Enterprises holding the previous license, namely, the License for Designated Manufacturer and Installer of Defense Equipment Used in Civil Defense should obtain the License for Practice Capability Standard Enterprise of Manufacture and Installment of Special Equipment Used in Civil Air Defense before the end of 2015. Such enterprises may obtain this new license by registering with the *Civil Air Defense Special Equipment Product Catalogue.*

Civil defense products are manufactured strictly in accordance with the designs and specifications standardized by the Fourth Design and Research Institute of the General Staff of the People's Liberation Army (中國人民解放軍總參謀部工程兵第四設計研究院). Civil defense products must meet a number of technical and quality standards, including but not limited to those set forth in: (i) *GB50134-2004 Civil air defense construction and acceptance specification* (人民防空工程施工及驗收規範); (ii) *GJBT-311 Double protection airtight door, airtight door and door frame wall selection atlas* (雙扇防護密閉門、密閉門和門框牆選用圖集); (iii) *GJBT-342 Ventilation light well atlas* (通風採光井通用圖集); (iv) *GJBT-457 Single pointing silk protection airtight door, airtight door selection atlas* (單扇活門檻防護密閉門、密閉門選用圖集); and (v) *JSJT-241 Suspended plate valve, diffusion chamber selection atlas* (懸板活門、擴散箱選用圖集).

ADMINISTRATION OF ENVIRONMENTAL PROTECTION OF CONSTRUCTION PROJECTS

A construction enterprise shall adopt measures to control environmental pollution and damage caused by dust, waste gas, sewage, solid waste, noise and vibration at the construction site in accordance with the laws and regulations on environmental protection and work safety. The PRC Government implemented an environmental impact evaluation system for construction projects.

Pursuant to the *Environmental Protection Law of the PRC* (中華人民共和國環境保護法), issued on 26 December 1989, last amended on 24 April 2014 and newly effective on 1 January 2015, units that cause environmental pollution and other public nuisances shall adopt effective measures to avoid and control the pollution and damage caused to the environment. Pollution prevention facilities in construction projects shall be designed, built and put into operation together with the main part of the project. Enterprises and institutions discharging pollutants shall report to and register with the relevant authorities in accordance with the provisions of the environmental protection authority under the State Council. According to the currently effective *Environmental Protection Law of the PRC*, the administrative authorities of environmental protection will record wrongful acts in the social credit history and timely disclose information. In addition, a company that breaches relevant rules to discharge pollutants shall be fined and ordered to take correction measures. If the company refuses, the competent authority may continuously impose fine for each day the violation remains uncorrected based on the original fine from the next day after making the decision.

Pursuant to the *Environmental Impact Assessment Law of the PRC* (中華人民共和國環境影響評價法), issued on 28 October 2002 and effective on 1 September 2003, the PRC Government sets up a system to appraise the environmental impact of construction projects, classify and administer the environmental impact appraisals in accordance with the degree of environmental impact.

Pursuant to the *Measures on the Inspection and Acceptance of the Environmental Protection Work Upon Completion of Construction Projects* (建設項目竣工環境保護驗收管理辦法), issued on 27 December 2001 and effective on 1 February 2002, if a construction unit fails to or delays to apply for the environmental inspection and acceptance after the construction project has been put into production, the competent environmental department shall have the right to order it to conduct the inspection procedures within a certain period of time. If a construction unit refuses, the competent environmental department has the right to suspend its production and impose a fine within RMB50,000.

OTHER LAWS AND REGULATIONS

Taxation Laws and Regulations

EIT

Pursuant to the EIT Law, and the EIT Rules, EIT rates applicable to both domestic and foreign-invested enterprises were unified at 25% effective on 1 January 2008. A resident enterprise shall pay the EIT on its incomes derived from both within and outside China. For a non-resident enterprise having offices or establishments within China, it shall pay EIT on its incomes derived from China as well as on incomes that it earns outside China to the extent that they have a real connection with the said offices or establishments. For a non-resident enterprise having no office or establishment within China, or for a non-resident enterprise whose incomes have no actual connection to its institution or establishment within China, it shall pay EIT on the incomes derived from China.

Business tax

Pursuant to the *Interim Regulation on Business Tax of the PRC* (中華人民共和國營業稅暫行條例), issued on 13 December 1993, amended on 10 November 2008 and newly effective on 1 January 2009, and the *Detailed Rules of Interim Regulation on Business Tax of the PRC* (中華人民共和國營業稅暫行條例實施細則), issued on 18 December 2008, amended on 28 October 2011 and newly effective on 1 November 2011, the business tax rate of the construction industry is 3%.

Labor Laws and Regulations

Pursuant to the *Labor Law of the PRC* (中華人民共和國勞動法), issued on 5 July 1994 and amended and newly effective on 27 August 2009, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents and reduce occupational hazards. Companies must also pay for their employees' social insurance premium.

Labor contract

Pursuant to the *Labor Contracts Law of the PRC* (中華人民共和國勞動合同法), issued on 29 June 2007, amended on 28 December 2012 and newly effective on 1 July 2013, employers shall establish employment relationships with employees on the date that they start working. To establish employment relationship, a written employment contract shall be concluded, or employers will be liable for the illegal action. Furthermore, the probation period and liquidated damages shall be restricted by law to safeguard employees' rights and interests.

Social security and housing provident fund

As required under the *Regulation of Insurance for Work-Related Injury* (工傷保險條例), issued on 27 April 2003, amended on 20 December 2010 and newly effective on 1 January 2011, the *Provisional Measures on Insurance for Maternity of Employees* (企業職工生育保險試行辦法), issued on 14 December 1994 and effective on 1 January 1995, the *Interim Provisions on Registration of Social Insurance* (社會保險登記管理暫行辦法), issued and effective on 19 March 1999, the *Social Insurance Law of the People's Republic of China* (中華人民共和國社會保險法), issued on 28 October 2010 and effective on 1 July 2011, and the *Regulation on Administration of Housing Provident Funds* (住房公積金管理條例), issued on 3 April 1999 and amended and newly effective on 24 March 2002, enterprises in China are obligated to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing provident funds.

Rehiring retirees

Pursuant to the *Notice of the Ministry of Labor on the Implementation of the Labor Contract System* (勞動部關於實行勞動合同制度若干問題的通知), issued and effective on 31 October 1996, if retirees who have enjoyed pension benefits are rehired, the employers should conclude a written agreement with them. Such agreement should include the clear content of the job, compensation, medical care, labor protection treatment, other rights and obligations.

Laws and Regulations Relating to Intellectual Property

The trademark law

Pursuant to the *Trademark Law of the PRC* (中華人民共和國商標法), issued on 23 August 1982, last amended on 30 August 2013 and newly effective on 1 May 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years from the day the registration is approved. According to the *Trademark Law of the PRC*, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damages.

The patent law

Pursuant to the *Patent Law of the PRC* (中華人民共和國專利法), issued on 12 March 1984, last amended on 27 December 2008 and newly effective on 1 October 2009, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the *Patent Law of the PRC*, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damages.

Contract Law

Pursuant to the *Contract Law of the PRC* (中華人民共和國合同法) issued on 15 March 1999 and effective on 1 October 1999, the parties may terminate a contract pursuant to terms set forth in the contract or pursuant to mutual agreement. In addition, the parties to a contract may terminate the contract under any of the following circumstances:

(a) it is rendered impossible to achieve the purpose of contract due to an event of force majeure;

(b) prior to the expiration of the period of performance, the other party expressly states, or indicates through its conduct, that it will not perform its main obligation;

(c) the other party delayed performance of its main obligation after such performance has been demanded and fails to perform within a reasonable period;

(d) the other party delays performance of its obligations, or breaches the contract in some other manner, rendering it impossible to achieve the purpose of the contract; or

(e) other circumstance as provided by the law.

The Regulation of Public-Private Partnership (PPP)

The principal rules of PPP projects include the *Guiding Opinion on Carrying Out the Public-Private Partnership of the National Development and Reform Commission of the PRC* (國家發展改革委關於開展政府和社會資本合作的指導意見), issued and effective on 2 December 2014, the *Notice on Implementing Demonstration Project of the Public-Private Partnership* (關於政府和社會資本合作示範項目實施有關問題的通知), issued and effective on 30 November 2014, the *Operation Guide for Modes of the Public-Private Partnership (Trial)* (政府和社會資本合作模式操作指南(試行)), issued and effective on 29 November 2014, and the *Notice on Extending the Models of the Public-Private Partnership* (關於推廣運用政府和社會資本合作模式有關問題的通知), issued and effective on 23 September 2014.

Pursuant to the *Operation Guide for Modes of the Public-Private Partnership (Trial)*, infrastructure and public service projects, which have large-scale investments, long-term steady demands, flexible price adjustment mechanisms and high marketization degrees, may apply the modes of PPP.

As for the risk allocation between the public entity and the private entity, it should be in accordance with the principle of optimizing risk allocation and balancing the risk-return and risk control. It should also consider the risk management capability of the government, the return mechanisms of projects and market risk management capability. Generally, the private entity is liable for commercial risks of project-designing, project-building, financial affairs and O&M (Operation and Maintenance); the public entity is liable for risks of laws, policies and minimum requirements; the force majeure risk should be reasonably distributed to the public entity and the private entity.

Modes of PPP project operation include Operations and Maintenance (O&M), Management Contract (MC), Build-Operate-Transfer (BOT), Build-Own-Operate (BOO), Transfer-Operate-Transfer (TOT), and Rehabilitate-Operate-Transfer (ROT).

Regulatory approaches of PPP include performance management, administrative supervision and public supervision.

Changes in Laws and Regulations are Expected to have a Material Impact on the Business of the Company

There are no changes in laws and regulations that are expected to have a material impact on the business of our Group.

The Likelihood of Breaching Laws or Regulations and the Maximum Liability of the Company

Pursuant to the *Construction Law of the PRC,* construction enterprises that act in violation of the stipulations of this law to start construction operation without construction permit or at the time when the application for construction operation has not yet been approved shall be ordered to correct themselves. Construction enterprises that cannot meet the requirements to commence operation shall be ordered to stop construction operation and may be subject to penalties.

An enterprise that exceeds its scope of qualification to contract projects shall be ordered to stop the illegal activities and be subject to penalties, and it can be ordered to stop business operation for rectification, with its qualification level reduced. An enterprise found to have serious violations shall have its business license revoked, with all its illegal incomes confiscated. An enterprise that undertake projects without a certificate of qualification shall be deemed illegal and be subject to penalties, with all its illegal incomes confiscated. An enterprise that has obtained a certificate of qualification illegally shall have its certificate revoked and be subject to penalties, and it shall be prosecuted for criminal liabilities pursuant to relevant laws for any crimes committed.

A construction enterprise that transfers or lends its certificate of qualification to others or allows others to undertake projects in its name shall be ordered to correct itself and be subject to penalties, with all illegal incomes confiscated. It can also be ordered to stop business operations and to have its level of qualification reduced. An enterprise found to have serious violations shall have its certificate of qualification revoked. The construction enterprise and the organization or individual that used the name of the construction enterprise shall assume joint liabilities for losses incurred from the sub-par quality of the contracted project.

A project contractor which subcontracts the contracted project in violation of the stipulations of aforesaid law shall be ordered to correct the situation, be subject to penalties, have all illegal incomes confiscated, and can be ordered to stop business operations and lower the level of qualification. A contractor found to have serious violations shall have its certificate of qualification revoked. The contractor that has violated the above clause and the subcontractor shall assume joint liabilities for the losses incurred from the sub-par quality of the project due to subcontracting.

Acts of asking for bribes, taking bribes and offering bribes in the course of contract awarding and project contracting shall be deemed illegal and prosecuted for criminal liabilities. Those who have not committed crimes shall be subject to penalties respectively and have the bribes confiscated. A contractor who offers bribes in project contracting shall be ordered to stop business operations for rectification, have the level of qualification reduced, or shall have the certificate of qualification revoked in addition to the punishment provided for in the previous clause.

Pursuant to the *Provisions on the Administration of Qualifications of Construction Enterprises,* an enterprise that acts in violation of the aforesaid stipulations can be imposed a fine within RMB30,000.

OUR BUSINESS DEVELOPMENT

Major Milestones

The following table sets forth major achievements and milestones in the development of our business:

1965 – 1996	A collective economy agency (集體經濟社), a socialist economic organization operated by a group of working class (勞動群眾) was established in October 1965 to carry out, amongst others, the construction work.
1996	Our Predecessor Company was incorporated by conversion from the collective economy agency and our construction project of dormitory of Tongxiang Credit Cooperatives* (桐鄉市信用聯社) was also awarded "Fengming Cup" Outstanding Construction Project* ("鳳鳴杯"優秀工程) by Tongxiang City Construction Planning Bureau* (桐鄉市規劃建設局) and Tongxiang City Construction Industry Association*(桐鄉市建築業協會).
1997	Our construction project of China Construction Bank Building of Tongxiang* (桐鄉建行大樓) was awarded "Nanhu Cup" Outstanding Construction Project* ("南湖杯"優質工程) by Jiaxing City Construction Industry Association* (嘉興市建築業協會).
2003	Our construction project of Jushi Technology Building* (巨石科技大樓) was awarded "Qianjiang Cup" High Quality Project Award* ("錢江杯"優秀工程) by the Construction Industry Association of Zhejiang Province* (浙江省建築業行業協會) and the Construction Engineering Quality Management Association of Zhejiang Province* (浙江省工程建設質量管理協會).
2006	We set up the first construction industry enterprise technology center (建築行業企業技術中心) of Jiaxing City.
2007	Our 211 Project of China Fiberglass Technology Center* (中國玻纖技術中心211工程) was awarded the "Lu Ban Award for Construction Engineering*" (中國建築工程魯班獎) by the MOHURD and China Construction Industry Association (中國建築業協會).

* *For identification purpose only.*

	We obtained the First Class Certificate for General Building Construction Contracting Work* (房屋建築工程施工總承包壹級資質) and the Third Class Certificate for Professional Contracting for Urban Roads and Bridges Projects* (城市道路橋樑工程專業承包叁級資質).
2009	Our construction project of Phase-I of Huai'an Store of Hongxing International Home & Life Square* (紅星國際家居生活廣場淮安店一期) was awarded China's first National AAA Grade Safe Modern Standardized Creditable Work Site* (全國AAA級安全文明標準化誠信工地) by China Construction Industry Association (中國建築業協會).
2010	We obtained the Overseas Contracting Certificate (對外承包工程資格證書).
2011	We obtained the Grade A Engineering Design (Construction Projects) Certificate* (工程設計(建築工程)甲級資質).
2012	Our construction project of Inspirock Hotel* (振石大酒店) was awarded the National High Quality Project Award* (國家優質工程獎) by National Construction Engineering Quality Awards Assessment Committee* (國家工程建設質量獎審定委員會).
2014	We were converted into a joint stock limited liability company.
	Our construction project of Wuzhen Grand Theatre* (烏鎮大劇院) was awarded Exemplary Project* (示範樣板工程) at the annual meeting of Quality Supervision and Administration System for Construction Projects of East China* (華東片區建設工程質量監督工作年會) in 2014.
	We also obtained the certificate for Designated Manufacturer And Installer Of Defense Equipment Used In Civil Defense* (人防工程防護設備定點生產和安裝企業資格認定證書).
2015	We obtained the Premium Class Certificate and Engineering Design Certificate.

OUR CORPORATE DEVELOPMENT

The following describes the corporate history of the Company and our subsidiaries.

* *For identification purpose only.*

The Predecessor Company

Our history traced back to the establishment of the Predecessor Company in the PRC on 17 July 1996 as a limited liability company by conversion from a collective economy agency. The Predecessor Company commenced the business of provision of construction services on 25 October 1965. The founders of the Predecessor Company were Tongxiang City Qitang Asset Management Company (桐鄉市騎塘鄉資產經營總公司), which was principally engaged in investment holdings, and Tongxiang City Qijian Employees' Shareholding Association (桐鄉市騎建職工合股會) which was established by a group of employees in the construction industry to engage in investment holdings. The Predecessor Company's registered capital of RMB17.6835 million had been fully paid by way of cash by their respective own personal financial resources on 25 April 1996. The Predecessor Company was converted into a joint stock limited liability company on 29 December 2014. For details, please refer to "The Company" in this section below.

The following table sets forth the shareholding structure of the Predecessor Company upon its establishment:

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with the Company (other than being a shareholder)	Associate of connected persons
	RMB million			
Tongxiang City Qitang Asset Management Company	10.9195	61.75%	None	None
Tongxiang City Qijian Employees' Shareholding Association	6.7640	38.25%	None	None
Total	**17.6835**	**100.00%**		

On 1 April 2001, Tongxiang City Qitang Asset Management Company entered into an equity transfer agreement with a number of parties pursuant to which Tongxiang City Qitang Asset Management Company agreed to transfer its aggregate equity interest of approximately 61.75% in the Predecessor Company to ten individuals, including Mr. Lv Yaoneng for an aggregate consideration of RMB2.1148 million which was determined with reference to: (i) the negative net asset value of RMB13,114,679.06 as of 5 December 2000 as indicated in the asset valuation report (關於巨匠集團資產評估報告) issued by the People's Government of Qitang Tongxiang City (桐鄉市騎塘鄉人民政府); (ii) the high debt-to-asset ratio of the Predecessor Company at the relevant time; (iii) the contribution of the Predecessor Company to the local economy and improvement of its production and operation circumstances; and (iv) the encouragement of the Predecessor Company to overcome difficulties and motivation of the employees to develop the Predecessor Company. The considerations for these equity transfers were settled by way of cash on 17 April 2001.

The following table sets forth the shareholding structure of the Predecessor Company upon completion of the above equity transfers on 17 April 2001:

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with the Company (other than being a shareholder)	Associate of connected persons
	RMB million			
Mr. Lv Yaoneng	3.4842	19.7%	Chairman of the Board, executive Director and general manager	–(2)
Lv Dazhong	1.0327	5.84%	Executive Director	None
Lu Qingtang	1.0327	5.84%	None	None
Shen Bingkun	0.9294	5.26%	Supervisor	None
Chen Jianguo	0.9294	5.26%	None	None
Fan Zhiming	0.9294	5.26%	None	None
Wang Shaolin	0.7745	4.38%	Deputy general manager	–(2)
Yao Caixing	0.6196	3.50%	None	None
Ma Shengliang	0.6196	3.50%	None	None
Lou Maoyan	0.5680	3.21%	None	None
Tongxiang City Jujiang Employees' Shareholding Association (桐鄉市巨匠職工合股會)(1)	6.7640	38.25%	None	None
Total	**17.6835**	**100.00%**		

Notes:

(1) Formerly known as Tongxiang City Qijian Employees' Shareholding Association.

(2) Spouse of Mr. Wang Shaolin is sister of Mr. Lv Yaoneng.

On 25 August 2001, a shareholders' meeting of the Predecessor Company was convened and resolved to increase the registered capital from RMB17.6835 million to RMB25 million. The additional capital was contributed in cash by all the then shareholders of the Predecessor Company on a pro rata basis. The above capital increase was fully paid up on 3 September 2001.

The shareholding percentage of the then shareholders of the Predecessor Company remained unchanged upon completion of the above capital increase on 25 September 2001.

On 25 May 2003, Chen Jianguo entered into two equity transfer agreements where he agreed to transfer his aggregate equity interest of 5.26% in the Predecessor Company to two individuals including Mr. Lv Yaoneng and Gao Xingwu for an aggregate consideration of RMB1.3150 million which was determined with reference to the relevant amount of the registered capital of the Predecessor Company. The consideration for the equity transfer was settled by way of cash on 24 June 2003.

The following table sets forth the shareholding structure of the Predecessor Company upon completion of the above equity transfer on 24 June 2003:

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with the Company (other than being a shareholder)	Associate of connected persons
	RMB million			
Mr. Lv Yaoneng	5.5094	22.04%	Chairman of the Board, executive Director and general manager	–[2]
Lv Dazhong	1.4600	5.84%	Executive Director	None
Lu Qingtang	1.4600	5.84%	None	None
Shen Bingkun	1.3150	5.26%	Supervisor	None
Fan Zhiming	1.3150	5.26%	None	None
Wang Shaolin	1.0950	4.38%	Deputy general manager	–[2]
Yao Caixing	0.8750	3.50%	None	None
Ma Shengliang	0.8750	3.50%	None	None
Lou Maoyan	0.8025	3.21%	None	None
Gao Xingwu	0.7306	2.92%	Chief engineer	None
Tongxiang City Jujiang Employees' Shareholding Association (桐鄉市巨匠職工合股會)[1]	9.5625	38.25%	None	None
Total	**25.0000**	**100.00%**		

Notes:

(1) Formerly known as Tongxiang City Qijian Employees' Shareholding Association.

(2) Spouse of Mr. Wang Shaolin is sister of Mr. Lv Yaoneng.

On 11 November 2004, a shareholders' meeting of the Predecessor Company was convened and resolved to increase the registered capital of the Predecessor Company from RMB25.0 million to RMB50.0 million. The aggregate additional capital of RMB25.0 million was contributed in cash by all the then shareholders of the Predecessor Company. The above capital increase was fully paid up on 16 November 2004.

The following table sets forth the shareholding structure of the Predecessor Company upon completion of the above capital increase on 19 November 2004:

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with the Company (other than being a shareholder)	Associate of connected persons
	RMB million			
Mr. Lv Yaoneng	12.3044	24.61%	Chairman of the Board, executive Director and general manager	–(2)
Lv Dazhong	2.9199	5.84%	Executive Director	None
Lu Qingtang	2.9199	5.84%	None	None
Shen Bingkun	2.6279	5.26%	Supervisor	None
Fan Zhiming	2.6279	5.26%	None	None
Wang Shaolin	2.1900	4.38%	Deputy general manager	–(2)
Yao Caixing	1.3431	2.68%	None	None
Ma Shengliang	1.7519	3.50%	None	None
Lou Maoxian	1.0804	2.16%	None	None
Gao Xingwu	1.1096	2.22%	Chief engineer	None
Jiaxing Jujiang Construction Co., Ltd. Employees Association (嘉興市巨匠建設有限公司工會)(1)	19.1225	38.25%	None	None
Total	**50.0000**	**100.00%**		

Notes:

(1) Formerly known as Tongxiang City Jujiang Employees' Shareholding Association.

(2) Spouse of Mr. Wang Shaolin is sister of Mr. Lv Yaoneng.

Pursuant to a series of equity transfer agreements dated 26 November 2009, the number of shareholders of the Predecessor Company was reduced to ten. The consideration of such equity transfers was determined with reference to the relevant amount of the registered capital of the Predecessor Company. The consideration for the equity transfers was settled by way of cash on 11 December 2009.

On 27 November 2009, a shareholder's meeting of the Predecessor Company was convened and resolved to increase the share capital from RMB50.0 million to RMB100.0 million. The additional capital of RMB50.0 million was contributed in cash by all of the then shareholders, Li Jinyan, Lu Zhicheng, Lv Yaoneng, Lv Dazhong, Wang Shaolin, Fan Zhiming, Shen Bingkun, Ma Shengliang, Gao Xingwu and Jujiang Construction Group Limited Employees Association. The capital increase was fully paid up on 9 December 2009.

The following table sets forth the shareholding structure of the Predecessor Company upon completion of the above equity transfers and capital increase on 15 December 2009:

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with the Company (other than being a shareholder)	Associate of connected persons
	RMB million			
Mr. Lv Yaoneng	24.3482	24.35%	Chairman of the Board, executive Director and general manager	–[(2)]
Lv Dazhong	5.8199	5.82%	Executive Director	None
Lu Zhicheng	4.9288	4.93%	Executive Director	None
Shen Bingkun	3.9169	3.91%	Supervisor	None
Fan Zhiming	4.2569	4.26%	None	None
Wang Shaolin	4.3375	4.34%	Deputy general manager	–[(2)]
Ma Shengliang	2.9079	2.91%	None	None
Li Jinyan	2.3458	2.34%	Executive Director	None
Gao Xingwu	2.5894	2.59%	Chief engineer	None
Jujiang Construction Group Limited Employees Association (巨匠建設集團有限公司工會)[(1)]	44.5487	44.55%	None	None
Total	**100.0000**	**100.00%**		

Notes:

(1) On 12 December 2005, the name of Jiaxing Jujiang Construction Co., Ltd. Employees Association changed to Zhejiang Jujiang Employees Association (浙江巨匠建設有限公司工會). On 11 December 2008, the name of Zhejiang Jujiang Employees Association changed to Jujiang Construction Group Limited Employees Association.

(2) Spouse of Mr. Wang Shaolin is sister of Mr. Lv Yaoneng.

On 11 September 2010, Jujiang Construction Group Limited Employees Association entered into various equity transfer agreements with a number of parties pursuant to which Jujiang Construction Group Limited Employees Association agreed to transfer its aggregate equity interest of 1.02% in the Predecessor Company to three individuals including Mr. Lv Yaoneng for an aggregate consideration of RMB1.0221 million which was determined with reference to the relevant amount of registered capital of the Predecessor Company. The considerations for these equity transfers were settled by way of cash on 21 September 2010.

On 11 September 2010, a shareholders' meeting of the Predecessor Company was convened and resolved to increase the registered capital of the Predecessor Company from RMB100.0 million to RMB150.0 million. The additional capital of RMB50.0 million was contributed in cash by all the then shareholders of the Predecessor Company. The above capital increase was fully paid up on 21 September 2010.

The following table sets forth the shareholding structure of the Predecessor Company upon completion of the above equity transfers and capital increase on 25 September 2010:

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with the Company (other than being a shareholder)	Associate of connected persons
	RMB million			
Mr. Lv Yaoneng	36.6517	24.43%	Chairman of the Board, executive Director and general manager	–[(2)]
Lv Dazhong	8.7400	5.83%	Executive Director	None
Lu Zhicheng	7.0357	4.69%	Executive Director	None
Shen Bingkun	5.7044	3.80%	Supervisor	None
Fan Zhiming	5.6128	3.74%	None	None
Wang Shaolin	6.5177	4.35%	Deputy general manager	–[(2)]
Ma Shengliang	3.8926	2.60%	None	None
Li Jinyan	4.0785	2.72%	Executive Director	None
Gao Xingwu	3.8900	2.59%	Chief engineer	None
Jujiang Construction Group Limited Employees Association (巨匠建設集團有限公司工會)[(1)]	67.8766	45.25%	None	None
Total	**150.0000**	**100.00%**		

Notes:

(1) On 12 December 2005, the name of Jiaxing Jujiang Construction Co., Ltd. Employees Association changed to Zhejiang Jujiang Employees Association (浙江巨匠建設有限公司工會). On 11 December 2008, the name of Zhejiang Jujiang Employees Association changed to Jujiang Construction Group Limited Employees Association.

(2) Spouse of Mr. Wang Shaolin is sister of Mr. Lv Yaoneng.

On 4 July 2011, Jujiang Construction Group Limited Employees Association entered into various equity transfer agreements with a number of parties pursuant to which Jujiang Construction Group Limited Employees Association agreed to acquire an aggregate equity interest of 3.75% in the Predecessor Company from three individuals for an aggregate consideration of RMB5.6234 million which was determined with reference to the relevant amount of the registered capital of the Predecessor Company. The considerations for these equity transfers were settled by way of cash on 13 July 2011.

On 4 July 2011, Fan Zhiming entered into an equity transfer agreement with Mr. Lv Yaoneng pursuant to which Fan Zhiming agreed to transfer his 1.74% equity interest in the Predecessor Company to Mr. Lv Yaoneng for a consideration of RMB2.6142 million, which was determined with reference to the relevant amount of the registered capital of the Predecessor Company. The consideration for the equity transfers was settled by way of cash on 13 July 2011.

The following table sets forth the shareholding structure of the Predecessor Company upon completion of the above equity transfer on 14 July 2011:

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with the Company (other than being a shareholder)	Associate of connected persons
	RMB million			
Mr. Lv Yaoneng	39.2659	26.18%	Chairman of the Board, executive Director and general manager	–(2)
Lv Dazhong	8.7401	5.83%	Executive Director	None
Lu Zhicheng	5.0356	3.36%	Executive Director	None
Shen Bingkun	5.7044	3.80%	Supervisor	None
Fan Zhiming	1.7678	1.18%	None	None
Wang Shaolin	6.5177	4.34%	Deputy general manager	–(2)
Ma Shengliang	1.5000	1.00%	None	None
Li Jinyan	4.0785	2.72%	Executive Director	None
Gao Xingwu	3.8900	2.59%	Chief engineer	None
Jujiang Construction Group Limited Employees Association(1)	73.5000	49.00%	None	None
Total	**150.0000**	**100.00%**		

Notes:

(1) On 12 December 2005, the name of Jiaxing Jujiang Construction Co., Ltd. Employees Association changed to Zhejiang Jujiang Employees Association (浙江巨匠建設有限公司工會). On 11 December 2008, the name of Zhejiang Jujiang Employees Association changed to Jujiang Construction Group Limited Employees Association.

(2) Spouse of Mr. Wang Shaolin is sister of Mr. Lv Yaoneng.

Pursuant to nine equity transfer agreements dated 20 August 2011 respectively entered into between nine then shareholders of the Predecessor Company and Jujiang Holdings, the nine then shareholders of the Predecessor Company including Mr. Lv Yaoneng, Lv Dazhong, Lu Zhicheng, Shen Bingkun, Fan Zhiming, Wang Shaolin, Ma Shengliang, Li Jinyan and Gao Xingwu agreed to transfer all of their respective equity interest of 26.18%, 5.83%, 3.36%, 3.80%, 1.18%, 4.34%, 1.00%, 2.72% and 2.59% in the Predecessor Company to Jujiang Holdings for an aggregate consideration of RMB76.5 million which was determined with reference to the relevant amount of the registered capital of the Predecessor Company and were settled by way of cash on 25 August 2011.

Pursuant to an equity transfer agreement dated 20 August 2011 entered into between Jujiang Construction Group Limited Employees Association and Jujiang Equity Investment, Jujiang Construction Group Limited Employees Association agreed to transfer its 49% of equity interest in the Predecessor Company to Jujiang Equity Investment for a consideration of RMB73.5 million which was determined with reference to the relevant amount of the registered capital of the Predecessor Company. The consideration for the equity transfer was settled by way of cash on 25 August 2011.

The following table sets forth the shareholding structure of the Predecessor Company upon completion of the above equity transfer on 25 August 2011:

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with the Company (other than being a shareholder)	Associate of connected persons
	RMB million			
Jujiang Holdings	76.5000	51.00%	None	Note
Jujiang Equity Investment	73.5000	49.00%	None	None
Total	**150.0000**	**100.00%**		

Note: As of the Latest Practicable Date, it was owned by Mr. Lv Yaoneng as to approximately 51.33%.

Demerger (分立)

Based on the business licences, the business scope of some of the PRC companies held by the Predecessor Company included real estate development, investment in tangible business (which includes holding of investment properties), investment management (which includes management of leased properties) and labor services sub-contracting. These PRC companies were principally engaged in two types of businesses, namely real estate development and investment and labor services sub-contracting. In order to delineate the business from our

Group, steps were taken by our Group to effect the demerger in order to spin off the above business from the Predecessor Company and for such business to be grouped under Jujiang Property and Jujiang Technology which were established upon completion of the demerger process.

On 30 August 2011, a shareholder's meeting of the Predecessor Company was convened and resolved to undergo a demerger (分立) of the Predecessor Company into three companies, namely the Predecessor Company, Jujiang Property and Jujiang Technology and their scale were smaller than our Group in terms of revenue and profit during the Track Record Period. Following such demerger, the registered capital of the Predecessor Company was reduced from RMB150 million to RMB130 million. Jujiang Holdings and Jujiang Equity Investment remained holding 51% and 49% equity interest of the Predecessor Company, respectively. Jujiang Property and Jujiang Technology were established in the PRC as limited liability companies by way of the above demerger with a registered capital of RMB10 million each, which was owned as to 51% by Jujiang Holdings and 49% by Jujiang Equity Investment respectively.

As a result of the demerger, 100% equity interest in Jujiang Real Estate Development, the land-use rights having a net book value of approximately RMB31.92 million, properties having an aggregate net book value of RMB11.0 million and liabilities in the sum of approximately RMB82.92 million were allocated from the Predecessor Company to Jujiang Property which has been excluded from our Group. The main purpose of the demerger is to exclude the real estate development businesses from our Group. Moreover, 100% equity interest in Tongxiang Hongwang, 20% equity interest in Tongxiang Lvdu, 90% equity interest in Jujiang Industrial, 100% equity interest in Jujiang Labor, the land-use rights having a net book value of approximately RMB0.62 million, properties having an aggregate net book value of approximately RMB1.46 million and liabilities in the sum of approximately RMB38.26 million were allocated from the Predecessor Company to Jujiang Technology which has been excluded from our Group. The liabilities in the sum of approximately RMB82.92 million and RMB38.26 million were allocated to Jujiang Property and Jujiang Technology, which were based on the respective liabilities relating to businesses of Jujiang Property and Jujiang Technology and were audited by a PRC accounting firm. The main purpose of the demerger is to exclude the businesses of real estate development, investment in tangible business (which includes holding of investment properties), investment management (which includes management of leased properties) and labor services sub-contracting from our Group.

Jujiang Labor was spun off from the Predecessor Company during the demerger because: (i) the management of the Predecessor Company considered to delineate its business into three main categories, namely real estate development, construction contracting and services and as Jujiang Labor's business of providing labor sub-contracting services belonged to the services category, Jujiang Labor was reallocated to be under the Jujiang Technology group; (ii) the management of Jujiang Labor considered to expand its business by providing labor sub-contracting services to other construction companies which were Independent Third Parties and to ensure Jujiang Labor would have independent resources to develop its business; and (iii) there was no overlapping of the board of directors and senior management between the Group and Jujiang Labor and the Group's business focus of providing construction contracting services is different from Jujiang Labor's business focus of proving labor sub-contracting services.

Subsequently, Jujiang Technology disposed of Jujiang Labor to two independent third parties in around August 2015 because: (i) the competition from the new labor sub-contracting service providers which entered into the market during the past few years was getting keener and affected the profitability of Jujiang Labor and management of Jujiang Technology considered it was not in the interest to devote resources to expanding this business; (ii) management of Jujiang Technology considered to undergo business transformation to start business in relation to electronic commerce platform (電子商務平台) and needed extra capital for development; (iii) number of staff of Jujiang Labor is relatively large and staff mobility is relatively high, however Jujiang Technology was unable to find a replacement for the person-in-charge of Jujiang Labor after the then existing one resigned in June 2015; and (iv) some Independent Third Parties approached for the acquisition of Jujiang Labor. The consideration was determined with reference to the net asset value of Jujiang Labor of RMB2.37 million as of 30 June 2015, and such disposal of Jujiang Labor did not result in any material gain or loss to Jujiang Technology.

The following table sets forth the shareholding structure of the Predecessor Company upon completion of the above demerger on 15 November 2011:

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with the Company (other than being a shareholder)	Relationship with other connected persons
	RMB million			
Jujiang Holdings	66.3000	51.00%	None	None
Jujiang Equity Investment	63.7000	49.00%	None	None
Total	**130.0000**	**100.00%**		

On 11 September 2012, a shareholders' meeting of the Predecessor Company was convened and resolved to increase the registered capital of the Predecessor Company from RMB130.0 million to RMB190.0 million. The additional capital of RMB60.0 million was contributed in cash by all the then shareholders of the Predecessor Company on a pro rata basis. The above capital increase was fully paid up on 12 September 2012.

On 17 September 2012, a shareholders' meeting of the Predecessor Company was convened and resolved to increase the registered capital of the Predecessor Company from RMB190.0 million to RMB250.0 million. The additional capital of RMB60.0 million was contributed in cash by all the then shareholders of the Predecessor Company on a pro rata basis. The above capital increase was fully paid up on 17 September 2012.

On 3 June 2013, a shareholders' meeting of the Predecessor Company was convened and resolved to increase the registered capital of the Predecessor Company from RMB250.0 million to RMB300.0 million. The additional capital of RMB50.0 million was contributed in cash by all the then shareholders of the Predecessor Company on a pro rata basis. The above capital increase was fully paid up on 3 June 2013.

The shareholding percentage of the then shareholders of the Predecessor Company remained unchanged upon completion of the above capital increases on 13 September 2012, 18 September 2012 and 4 June 2013, respectively.

The Company

On 25 December 2014, the Shareholders of the Company (also being the Promoters) as set out in the table below entered into a promoters' agreement, pursuant to which each of them agreed to convert the Predecessor Company into a joint stock limited company in the PRC with a registered share capital of RMB400.0 million divided into 400,000,000 Domestic Shares of a par value of RMB1.00 each. On the same day, a shareholders' meeting was convened and resolved that the amount of shares to be converted and held by the Promoters upon the incorporation of the Company shall be determined in accordance with the audited carrying amount of net assets as of 31 December 2013 of RMB580,586,925.15 as stated in the capital verification report. On 29 December 2014, the Predecessor Company was converted into a joint stock limited company and renamed as Jujiang Construction Group Co., Ltd. (巨匠建設集團股份有限公司), namely the Company. The portion of the audited value not converted into the Company's share capital was kept as our capital reserve.

The following table sets forth the shareholding structure of the Company upon completion of the conversion on 29 December 2014 and up to the Latest Practicable Date:

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with the Company (other than being a shareholder)	Relationship with other connected persons
	RMB million			
Jujiang Holdings	204.0000	51.00%	None	Note
Jujiang Equity Investment	196.0000	49.00%	None	None
Total	**400.0000**	**100.00%**		

Note: As of the Latest Practicable Date, it was owned by Mr. Lv Yaoneng as to approximately 51.33%.

Our Subsidiaries

Jujiang Design

Jujiang Design was established in the PRC on 29 September 1985 as a collective economic enterprise. On 29 May 2003, Jujiang Design was converted into a limited liability company from a collective economic enterprise with a registered capital of RMB1.0 million, subsequently increased to RMB10.0 million.

As a result of various equity interest transfers and increase of capital contribution, since 5 July 2011, the Predecessor Company had owned 100% equity interest in Jujiang Design.

From 29 December 2014 and up to the Latest Practicable Date, Jujiang Design had been owned as to 100% by the Company, which was converted from the Predecessor Company on 29 December 2014.

Jujiang Design commenced its business in September 1985 and is principally engaged in industrial and civil construction design, consulting of construction work, indoor construction design, construction surveying and blue-printing.

Jujiang Lifting Equipment

Jujiang Lifting Equipment was established in the PRC on 16 May 2006 as a limited liability company with an initial registered capital of RMB600,000 which was subsequently increased to RMB1.6 million on 20 October 2008. Jujiang Lifting Equipment had been owned as to 100% by the Predecessor Company since the time of its establishment.

From 29 December 2014 and up to the Latest Practicable Date, Jujiang Lifting Equipment had been owned as to 100% by the Company, which was converted from the Predecessor Company on 29 December 2014.

Jujiang Lifting Equipment commenced its business in May 2006 and is principally engaged in installation, dismantling, inspection, repair, maintenance and leasing of construction lifting equipment.

Jujiang Municipal Landscaping

Jujiang Municipal Landscaping was established in the PRC on 12 October 2007 as a limited liability company with an initial registered share capital of RMB6.0 million which was subsequently increased to RMB20.0 million on 21 October 2008 and RMB50.0 million on 19 September 2012. Jujiang Municipal Landscaping had been owned as to 100% by the Predecessor Company since the time of its establishment.

From 29 December 2014 and up to the Latest Practicable Date, Jujiang Municipal Landscaping had been owned as to 100% by the Company, which was converted from the Predecessor Company on 29 December 2014.

Jujiang Municipal Landscaping commenced its business in October 2007 and is principally engaged in contracting of construction of municipal and public works; construction and maintenance of sports facilities and landscape greening works.

Jujiang Curtain Wall

Jujiang Curtain Wall was established in the PRC on 9 March 2009 as a limited liability company with an initial registered capital of RMB2.0 million. At the time of its establishment, Jujiang Curtain Wall was held 90% by the Predecessor Company, 5% by each of Wang Jinfa (王金法) and Zhang Jianxue (張建學), who are Independent Third Parties.

On 9 May 2012, a shareholders' meeting of Jujiang Curtain Wall was convened, pursuant to which it was resolved that: (i) Zeng Ruizhen (曾瑞珍) would be a new shareholder of Jujiang Curtain Wall; and (ii) to increase the registered capital of Jujiang Curtain Wall from RMB2.0 million to RMB5.0 million. The additional capital of RMB3.0 million was contributed in cash by all the then shareholders of Jujiang Curtain Wall and Zeng Ruizhen. The increased capital was fully paid up on 5 June 2012. Following such capital increase on 5 June 2012, Jujiang Curtain Wall had been held as to 85% by the Predecessor Company, 5% by each of Wang Jinfa, Zhang Jianxue and Zeng Ruizhen, who are Independent Third Parties.

From 29 December 2014 and up to the Latest Practicable Date, Jujiang Curtain Wall had been held as to 85% by the Company, which was converted from the Predecessor Company on 29 December 2014, 5% by each of Wang Jinfa, Zhang Jianxue and Zeng Ruizhen, who are Independent Third Parties.

Jujiang Curtain Wall commenced its business in March 2009 and is principally engaged in installation of curtain walls, doors and windows.

Jujiang Building Materials

Jujiang Building Materials was established in the PRC on 21 February 2013 as a limited liability company with a registered capital of RMB30.0 million. Jujiang Building Materials had been owned as to 100% by our Predecessor Company since the time of its establishment.

From 29 December 2014 and up to the Latest Practicable Date, Jujiang Building Materials had been owned as to 100% by the Company, which was converted from the Predecessor Company on 29 December 2014.

Jujiang Building Materials commenced its business in February 2013 and is principally engaged in sale of, among others, construction materials, machinery, metallic materials, chemical products, metal electrical hardwares, home appliances and electrical products.

Jujiang Defense Equipment

Jujiang Defense Equipment was established in the PRC on 18 April 2013 as a limited liability company with a registered capital of RMB10.0 million. Since the time of its establishment, Jujiang Defense Equipment had been held as to 70% by the Predecessor Company and 30% by Zhejiang Tongli Heavy Machinery Manufacturing Co., Ltd.* (浙江同力重型機械製造有限公司), an Independent Third Party.

From 29 December 2014 and up to the Latest Practicable Date, Jujiang Defense Equipment had been owned as to 70% by the Company, which was converted from the Predecessor Company on 29 December 2014 and 30% by Zhejiang Tongli Heavy Machinery Manufacturing Co., Ltd.*, an Independent Third Party.

Jujiang Defense Equipment commenced its business in April 2013 and is principally engaged in manufacturing, sale and installation of defense equipment.

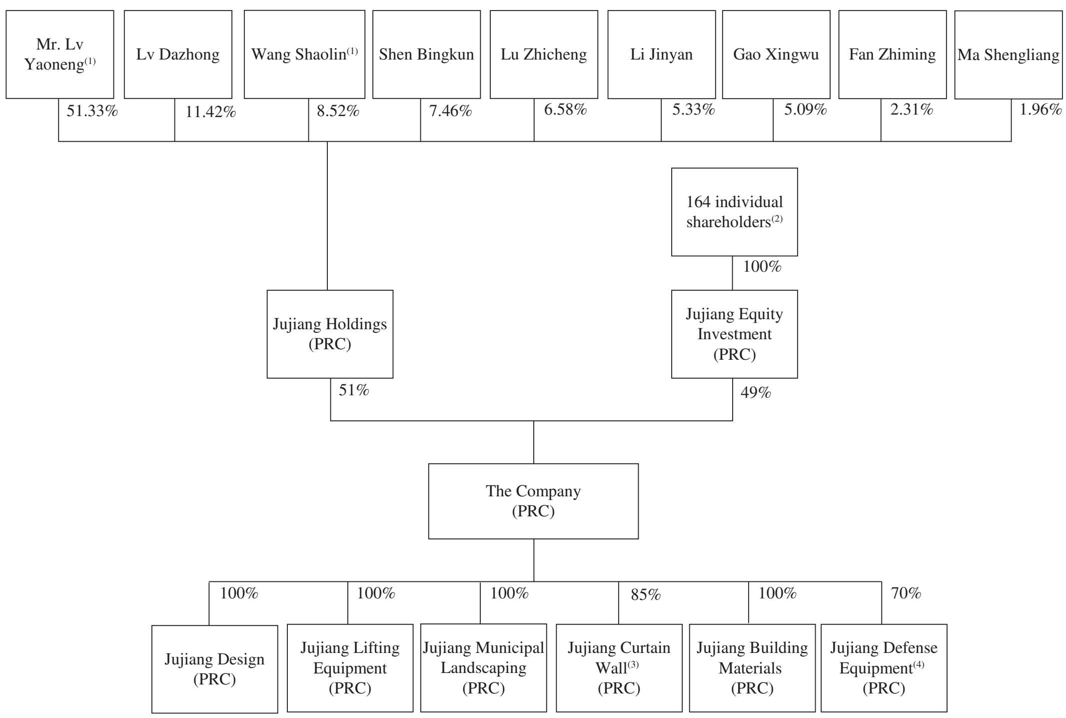
As advised by the PRC Legal Advisers, the establishment, each conversion of nature of company and each change in the shareholding structure of each of the Company and its subsidiaries as disclosed above were legally and properly completed and settled and complied with all applicable laws, rules and regulations and normative documents from time to time in force in the PRC, and as of the Latest Practicable Date, we had obtained all the necessary approvals, permits, licenses, authorizations and consents from the relevant PRC governmental authorities with respect to such changes in all material aspects and such approvals, permits, licenses, authorizations and consents are valid, current, subsisting and not revoked.

OUR CORPORATE STRUCTURE

Prior to the Global Offering

As of the Latest Practicable Date, the Company had issued 400,000,000 Domestic Shares and had a registered share capital of RMB400.0 million. The registered share capital is expected to increase to RMB533,360,000, comprising 400,000,000 Domestic Shares and 133,360,000 H Shares upon the Listing (assuming Over-allotment Option is not exercised).

Other than the demerger and the conversion of the Predecessor Company into the Company set out in "– Our Corporate Development – The Predecessor Company" of this section above, the Company did not undergo any reorganization for the purpose of Listing prior to the completion of Global Offering. The following diagram sets forth the approximate shareholding and corporate structure of the Company as of the Latest Practicable Date, immediately prior to the completion of the Global Offering:



Notes:

(1) Spouse of Mr. Wang Shaolin is sister of Mr. Lv Yaoneng.

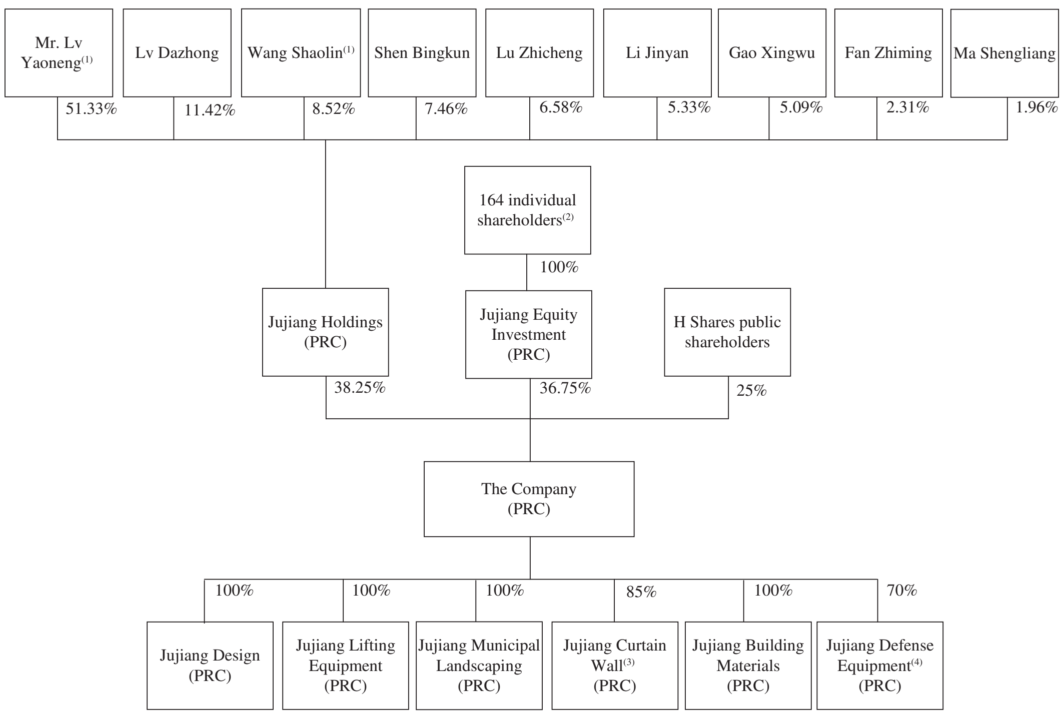
(2) These 164 individual shareholders, of which two are Directors (Mr. Shen Haiquan and Mr. Zheng Gang who owned 2.4049% and 2.0964% of Jujiang Equity Investment, respectively), one is a Supervisor (Mr. Zou Jiangtao who owned 0.4493% of Jujiang Equity Investment), 113 are current employees other than Directors and Supervisors, ten are former employees, one is Mr. Lv Yunyao, who is Mr. Lv Yaoneng's son (who owned 13.5303% of Jujiang Equity Investment) and 37 are Independent Third Parties, in aggregate held 100% equity interest of Jujiang Equity Investment. The shareholding percentages of these individual shareholders in Jujiang Equity Investment range from approximately 0.0136% to 13.5303%.

(3) The remaining equity interest of Jujiang Curtain Wall was owned as to 5% by Wang Jinfa, 5% by Zhang Jianxue and 5% by Zeng Ruizhen, each an Independent Third Party (save for being a shareholder of Jujiang Curtain Wall).

(4) The remaining equity interest of Jujiang Defense Equipment was owned as to 30% by Zhejiang Tongli Heavy Machinery Manufacturing Co., Ltd.*, an Independent Third Party (save for being a shareholder of Jujiang Defense Equipment).

Immediately Following Completion of the Global Offering

The following diagram sets forth the approximate shareholding and corporate structure of the Company immediately following completion of the Global Offering, assuming no exercise of the Over-allotment Option and no change in shareholding by each of our Shareholders listed below subsequent to the Latest Practicable Date:



Notes:

(1) Spouse of Mr. Wang Shaolin is sister of Mr. Lv Yaoneng.

(2) These 164 individual shareholders, of which two are Directors (Mr. Shen Haiquan and Mr. Zheng Gang who owned 2.4049% and 2.0964% of Jujiang Equity Investment, respectively), one is a Supervisor (Mr. Zou Jiangtao who owned 0.4493% of Jujiang Equity Investment), 113 are current employees other than Directors and Supervisors, ten are former employees, one is Mr. Lv Yuntao, who is Mr. Lv Yaoneng's son (who owned 13.5303% of Jujiang Equity Investment) and 37 are Independent Third Parties, in aggregate held 100% equity interest of Jujiang Equity Investment. The shareholding percentages of these individual shareholders in Jujiang Equity Investment range from approximately 0.0136% to 13.5303%.

(3) The remaining equity interest of Jujiang Curtain Wall was owned as to 5% by Wang Jinfa, 5% by Zhang Jianxue and 5% by Zeng Ruizhen, each an Independent Third Party (save for being a shareholder of Jujiang Curtain Wall).

(4) The remaining equity interest of Jujiang Defense Equipment was owned as to 30% by Zhejiang Tongli Heavy Machinery Manufacturing Co., Ltd.*, an Independent Third Party (save for being a shareholder of Jujiang Defense Equipment).

You should read this Prospectus in its entirety before you decide to invest in our Offer Shares, and you should not rely solely on key or summarized information. The financial information in this section has been extracted without material adjustment from "Appendix I – Accountants' Report." All market statistics quoted in this Prospectus, unless otherwise specified, are according to an industry report issued by Ipsos. For the qualification of Ipsos as well as details of the industry report, please refer to "Industry Overview" in this Prospectus.

OVERVIEW

We were the largest construction company in Jiaxing, Zhejiang Province in terms of output value in 2014, holding a market share of 10.4%, according to *Ipsos.* We were established in 1965 as one of the earliest construction companies in Jiaxing, a city currently with a population of more than 4.5 million and strong commercial and light industrial activities. With 50 years' experience in the construction industry, we have built a successful track record in the industry in which we operate.

We successfully obtained the Premium Class Certificate and the Engineering Design Certificate on 28 January 2015 after undergoing a stringent review process. As of 30 June 2015, we were the only construction company in Zhejiang Province holding both certificates. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. Holding these two key certificates as well as other certificates, we are able to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide. We believe holding these certificates will also allow us to charge a premium rate for our services, resulting in higher profit margins in our construction projects.

We have been recognized at the national and local level for achieving high standards in construction quality, safety and innovation. Our construction projects have received over 240 awards in China, including the Lu Ban Award for Construction Engineering in the PRC (中國建築工程魯班獎), the highest and most prestigious award given by the MOHURD for construction quality excellence, and the National High Quality Project Award (國家優質工程獎), the highest honor for construction quality awarded by the National Engineering Construction Quality Award Evaluation Committee (國家工程建設質量獎審定委員會) in China. In addition, we have received a total of 13 Qianjiang Cup (錢江杯) and two Tianfu Cup (天府杯) awards, the highest honor for construction quality in Zhejiang Province and Sichuan Province, respectively, as well as various local construction awards and recognitions for our high-quality and safe construction projects. As a result of our strict adherence to standardized construction methods and technologies, we have been recognized by local government authorities as an outstanding construction company. Certain of our construction projects have been used by such authorities to educate our peers on standardized and high-quality construction.

During the Track Record Period, we mainly focused on strengthening our position in the local Jiaxing market, as well as capturing growth opportunities in other regions in Zhejiang Province and other provinces and regions in China. We strategically established 11 branch offices, of which three were set up in various cities within Zhejiang Province and eight were set up in other provinces, namely, Jiangsu, Anhui, Shandong and Liaoning Provinces, to focus on providing our services and products in second- and third-tier cities with sizeable economies and an active real estate market. As we have successfully undertaken certain large-scale construction projects, we are in the process of setting up a branch office in Jiangxi Province, where we believe there is significant market potential. We have formed strong relationships with long-term customers and have established a well-recognized brand and reputation through our dedication to provide reliable, timely and high-quality services and products.

We have been devoted to research and development to drive improvement and innovation in construction technologies, and we intend to continue to invest in our research and development efforts. Our technology center was recognized in 2012 as a Construction Industry Enterprise Technology Center of Zhejiang Province (浙江省建設行業企業技術中心), the first provincial-level research facility for the construction industry in Jiaxing. Our technology center was also the first to be recognized as a Key Technological Innovation Team in Jiaxing (嘉興市重點企業技術創新團隊) in the construction industry. As of the Latest Practicable Date, we had successfully developed a total of 26 national-level and provincial-level construction process methodologies. As of the same date, we also owned 22 patented technologies, which we have incorporated into our construction processes. We believe our advanced technologies and research and development capabilities have given us a competitive edge and allowed us to win construction projects through our provision of high-quality and innovative construction contracting services.

Our total revenue increased from RMB3,269.8 million for the year ended 31 December 2012 to RMB4,072.1 million for the year ended 31 December 2013, and further to RMB4,289.3 million for the year ended 31 December 2014. Our total revenue increased from RMB1,818.1 million for the six months ended 30 June 2014 to RMB2,139.8 million for the six months ended 30 June 2015. Our net profit increased from RMB46.7 million for the year ended 31 December 2012 to RMB60.7 million for the year ended 31 December 2013, and further to RMB82.8 million for the year ended 31 December 2014. Our net profit increased from RMB35.4 million for the six months ended 30 June 2014 to RMB45.5 million for the six months ended 30 June 2015.

OUR COMPETITIVE STRENGTHS

We are the largest construction company in Jiaxing, Zhejiang Province, with a growing presence in Zhejiang Province and other provinces and regions in China.

We were the largest construction company in Jiaxing in terms of output value in 2014, holding a market share of 10.4%, according to *Ipsos*. Founded in 1965, we commenced our operations as one of the earliest construction companies in Jiaxing and have since expanded our operations to other regions in Zhejiang Province, as well as other provinces and regions in

China. We strategically established 11 branch offices, of which three were set up in various cities within Zhejiang Province and eight were set up in other provinces, namely, Jiangsu, Anhui, Shandong and Liaoning Provinces, to focus on developing business opportunities and managing existing projects in second- and third-tier cities with sizeable economies and an active real estate market. As a result of our efforts, we have been able to increase our presence outside Jiaxing and undertake an increasing number of large construction projects in other provinces and regions in China in recent years. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, our revenue generated outside of Zhejiang Province amounted to RMB1,075.5 million, RMB1,323.5 million, RMB1,149.5 million and RMB720.0 million, respectively representing 32.9%, 32.5%, 26.8% and 33.6% of our total revenue, respectively. We believe that, by leveraging our industry expertise, track record of construction projects and solid customer relationships, we have been able to successfully capture growth opportunities in the construction industry of Zhejiang Province and expand into other provinces and regions in China.

We are able to leverage our Premium Class Certificate and Engineering Design Certificate to charge premium rates for our services and capture business opportunities.

We successfully obtained the Premium Class Certificate and Engineering Design Certificate on 28 January 2015 after undergoing a stringent review process. As of 30 June 2015, we were the only construction company in Zhejiang Province holding both certificates. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. Holding these certificates as well as other certificates, we are able to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide. Since obtaining the two certificates in early 2015, we have contracted to undertake more than 15 new construction projects, of which the gross profit margins are estimated to be approximately 0.5% to 1.5% higher than those of our comparable services in 2014.

Our track record of high-quality, timely and safe construction contracting services has enabled us to establish strong relationships with long-term customers.

We believe our success in establishing strong relationships with long-term customers has been in large part due to our strong track record of providing high-quality, timely and safe construction contracting services. We strictly adhere to a series of internal control policies that are more stringent than required by the relevant laws and regulations. Our internal control policies govern various aspects of our business, including our construction methods and technologies, raw materials, equipment and machinery procurement, occupational health and safety management, project management and quality inspections, which ensure that the construction projects we undertake meet our high-quality standards. In addition, in order to implement standardized construction methods and technologies, we equip many of our construction project sites with construction process demonstration areas that display and educate our subcontracted workers on such standardized construction methods and technologies. We believe our construction process demonstration areas are unique in the PRC construction industry and demonstrate our dedication to providing consistently high-quality and safe construction contracting services. In addition, we believe our internal control policies and standardized construction methods and technologies have played an important role to ensure our ability to abide by project schedules.

Through our track record of high-quality, timely and safe construction contracting services, we have become the preferred construction solutions provider of many long-term customers. Our long-term customers include listed companies, such as Tongkun Group, national tourist area developers, such as Wuzhen Tourism, real estate developers, such as Jiayuan Group, a Top 50 Real Estate Company (中國地產50強) ranked by China Real Estate Association, China Real Estate Research Association and the China Real Estate Appraisal, as well as industrial companies, such as Xin Feng Ming Group, a polyester producer in Zhejiang Province. Our long-term customers have allowed us to secure a steady flow of repeat business and revenue in recent years and have also been a source for marketing and business development with new customers.

Our well-recognized brand and reputation enhance our ability to win construction projects and create business opportunities.

We have been recognized at the national and local level for achieving high standards in construction quality, safety and innovation. Our construction projects have received over 240 awards in China, including the Lu Ban Award for Construction Engineering in the PRC (中國建築工程魯班獎), the highest and most prestigious award given by the MOHURD for construction quality excellence, and the National High Quality Project Award (國家優質工程獎), the highest honor for construction quality awarded by the National Engineering Construction Quality Award Evaluation Committee (國家工程建設質量獎審定委員會) in China. In addition, we have received a total of 13 Qianjiang Cup (錢江杯) and two Tianfu Cup (天府杯) awards given by the relevant government authorities of Zhejiang Province and Sichuan Province, respectively, for our high-quality construction projects, as well as various local construction awards and recognitions for our quality and safety performance. We have also been named an AAA Grade Creditable Enterprise in the PRC (中國AAA級信用企業) and one of the Top 100 Construction Companies with High Growth Potential (中國建築業成長性百強) by the China Construction Industry Association. In March 2015, we were recognized as a model construction company (標桿企業) among approximately 500 construction companies in Jiaxing. We have also been recognized by relevant government authorities in Jiangxi and Anhui Provinces as an outstanding construction company, and certain of our construction projects have been used by such authorities to educate our peers on standardized and high-quality construction. According to *Ipsos*, as of 30 June 2015, we were the only construction company in Jiaxing named as a Premier Construction Enterprise of Zhejiang Province (浙江省建築強企). We believe that the awards and recognitions we have received demonstrate our leadership position in the construction industry of Jiaxing and our growing reputation in other provinces and regions in China. We further believe that such awards and recognitions will allow us to continue to develop brand recognition and enhance our ability to win construction projects and create business opportunities.

We possess advanced technologies and research and development capabilities that enhance our competitiveness.

Over the years, we have been devoted to research and development to drive improvement and innovation in the construction industry, and we continue to invest in our research and development efforts. Our total expenses on research and development for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015 amounted to RMB12.1 million, RMB13.0 million, RMB14.4 million and RMB6.9 million, respectively. Our technology center was recognized in 2012 as a Construction Industry Enterprise Technology Center of Zhejiang Province (浙江省建設行業企業技術中心), the first provincial-level research facility in Jiaxing. Our technology center was also the first to be recognized as a Key Technological Innovation Team in Jiaxing (嘉興市重點企業技術創新團隊).

As of the Latest Practicable Date, we had successfully developed a total of 26 national-level and provincial-level construction process methodologies, as well as owned 22 patents and had seven patent applications under review in China. National-level construction process methodologies are recognized by the MOHURD for significant and innovative construction process methodologies that have potential to generate economic value. Further, we actively participate as the principal or joint author in drafting and establishing technical specifications that form the PRC construction industry standards. For example, we were the principal author of *Technical Specifications of Constraints Masonry and Reinforced Masonry Structures* (約束砌體與配筋砌體結構技術規程) published by the MOHURD, which was implemented as a national industry standard on 1 December 2014. To maintain our competitiveness, we also collaborate with leading research institutions in China, such as Tongji University, to develop innovative technologies and construction process methodologies. We believe our advanced technologies and research and development capabilities have given us a competitive edge and allowed us to win construction projects through our provision of high-quality and innovative construction contracting services.

We have an experienced and dedicated senior management team and highly skilled personnel that ensure the successful development of our business.

Our senior management team, comprising experienced professionals that possess extensive technical and industry experience, has a proven record of successfully operating and expanding our business. Mr. Lv Yaoneng, chairman and general manager of the Company, has accumulated almost 40 years of extensive operational and managerial experience in the construction industry while forging strong relationships with key customers. Chairman Lv has received numerous awards and recognitions for his entrepreneurship and industry expertise, including being named an Outstanding Entrepreneur in the PRC Construction Industry (全國優秀施工企業家) by the China Association of Construction Enterprise Management (中國施工企業管理協會) in 2013. Mr. Zheng Gang (鄭剛), our vice president and director of our technology center, is responsible for overseeing our technology center and leading our research and development efforts. Mr. Zheng Gang is a professor-level senior engineer in construction engineering, which is the highest qualification for professional engineers in China. He was awarded the 2013 Outstanding Construction Professional Manager in China (2013年度中國工

程建設優秀職業經理人) by China Association of Construction Enterprise Management (中國施工企業管理協會). Mr. Gao Xingwu (高興武), our chief engineer, brings his technical expertise and over 25 years of industry experience to ensure our success in the PRC construction industry. Mr. Gao Xingwu is a senior engineer in industrial and civil construction works and was recognized as a Constructor of National Excellence (全國優秀建造師) and Zhejiang Province Construction Enterprise Outstanding Project Manager (浙江省建築業企業優秀項目經理). Under the leadership of these individuals and the rest of our senior management team, we successfully established our leadership position in the construction industry in Jiaxing during the Track Record Period. In addition, our senior management team is supported by personnel with strong technical expertise and industry background, many of whom have been working for us for a significant portion of their professional career. Our project management teams are led by engineers and constructors, many of whom have approximately ten years' industry experience. We believe that our senior management team and our personnel possess the skills, technical expertise, in-depth industry knowledge and extensive business networks in China required for our continued success.

OUR BUSINESS STRATEGIES

Our goal is to continue to capture greater market share in Zhejiang Province and in other provinces and regions in China, as well as expand our presence overseas to become a leading construction contracting and design company in selected regions. To achieve this goal, we intend to pursue the following strategies:

Leverage our Premium Class Certificate and Engineering Design Certificate to provide complete construction solutions for larger-scale and more complex construction projects

We plan to leverage our Premium Class Certificate and Engineering Design Certificate to provide fully-integrated construction solutions, which consist of construction general contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide. As of 30 June 2015, we were the only holder of both the Premium Class Certificate and Engineering Design Certificate in Zhejiang Province, and one of the few in China. Leveraging our favorable position in the industry, we intend to undertake larger-scale and more complex construction projects. As profitability generally increases with the size and complexity of construction projects, undertaking such construction projects will enable us to enhance our profitability. Moreover, undertaking projects where we provide construction general contracting and design, survey and consultancy services allows us to vertically integrate our business. We will be able to take into account our costs and have better control over quality at the earlier design stage of the construction project. To facilitate our undertaking of larger-scale and more complex construction projects, we plan to apply a portion of the proceeds from the Global Offering to procure new equipment and machinery used in our construction projects, including jacks and lifting equipment.

We intend to leverage our Premium Class Certificate and Engineering Design Certificate to establish business relationships with new and well-recognized customers, build our track record of prominent construction projects and enhance our brand exposure. With increased exposure and more prominent construction projects in our portfolio, we intend to augment our reputation in Zhejiang Province and in other provinces and regions in China. We expect that our augmented reputation will allow us to undertake increasingly more prominent construction projects where we will be able to charge a premium price for our services. We plan to leverage our position as the only construction company in Zhejiang Province holding both certificates as of 30 June 2015 to gain more bargaining power for favorable prices for raw materials and equipment and machinery, which will lower our costs and enhance our profitability.

Develop business opportunities to undertake BT and PPP projects

We believe that build-transfer (BT) and public-private partnership (PPP) projects are attractive business opportunities that offer higher profit margins due to our increased ability to provide financing, control project costs and manage returns on the project. Moreover, according to *Ipsos*, an increasing number of infrastructure projects in China are expected to be completed on a BT or PPP basis in the coming years. As such, we intend to develop business opportunities to undertake more projects on a BT or PPP basis in the future. Under both BT and PPP models, we would generally be responsible for financing, investment, management and construction of the project. We believe that BT and PPP projects will enhance our profitability and brand recognition, and we intend to selectively undertake such projects in the future. BT and PPP projects are both awarded to qualified construction companies through a public bidding process held by relevant government authorities. We intend to leverage our strong relations with the local Jiaxing government and our track record of high-quality public works construction projects to win such projects. By gaining expertise and developing our reputation as a premium BT and PPP service provider, we plan to develop our BT and PPP operations in other regions of Zhejiang Province and other provinces and regions in China. Given the significant upfront investment required to undertake such projects, we also plan to finance future projects through a combination of our working capital, bank borrowings and proceeds from the Global Offering.

Capture opportunities in the international market and actively participate in overseas construction and infrastructure projects

Our vision is to become an internationally recognized construction solutions provider. In line with our strategy to expand our business internationally, we obtained the Overseas Contracting Certificate (對外承包工程資格證書) in 2010, allowing us to undertake construction projects overseas. We intend to conduct overseas business development and participate in overseas construction and infrastructure projects more actively as increased outbound investment and business activities are expected in line with the Belt and Road Initiative (一帶一路) recently announced by the PRC Government. The purpose of the Belt and Road Initiative is to integrate countries in Europe and Asia and develop closer regional ties through building infrastructure and broadening trade. As the PRC Government and various financial institutions devote increased funding to this initiative, we expect to see more infrastructure development projects being announced in the coming years. We plan to capitalize on such an opportunity to expand overseas and augment our reputation and brand recognition. As we undertake more BT and PPP projects domestically, we intend to leverage the experience we will gain in undertaking such projects to embark on overseas infrastructure development projects in the future.

OUR BUSINESS OPERATIONS

During the Track Record Period, we focused our operations on providing construction solutions, which comprised the following businesses:

- *Construction contracting business*, which is our core business and involves the provision of construction contracting mainly as a general contractor for residential construction projects, commercial construction projects, industrial construction projects and public works construction projects; and

- *Other businesses*, namely, our design, survey and consultancy business and civil defense products manufacturing business.

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

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million* (unaudited)	*%*	*RMB million*	*%*
Construction contracting business	3,266.8	99.9	4,052.8	99.5	4,258.5	99.3	1,803.2	99.2	2,132.0	99.6
Other businesses	3.0	0.1	19.3	0.5	30.8	0.7	14.9	0.8	7.8	0.4
Total revenue	**3,269.8**	**100.0**	**4,072.1**	**100.0**	**4,289.3**	**100.0**	**1,818.1**	**100.0**	**2,139.8**	**100.0**

CONSTRUCTION CONTRACTING BUSINESS

Overview

During the Track Record Period, a substantial majority of our revenue was generated from our construction contracting business. We commenced our construction contracting business in 1965 and were the largest construction company in Jiaxing in terms of output value in 2014, according to *Ipsos*.

During the Track Record Period, we mainly conducted business in third- to fourth-tier cities in China. During the same period, we generated revenue mainly from construction projects located in Zhejiang Province, most of which were located in Jiaxing. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, revenue generated from our projects in Jiaxing amounted to RMB2,026.4 million, RMB2,582.2 million, RMB2,644.0 million and RMB1,177.2 million, respectively, accounting for 62.0%, 63.4%, 61.6% and 55.0% of our total revenue, respectively. Our other construction projects were mainly located in Jiangsu, Anhui, Shandong and Liaoning Provinces. For the years ended 31

December 2012, 2013 and 2014, and the six months ended 30 June 2015, our revenue generated in Zhejiang Province amounted to RMB2,194.3 million, RMB2,748.6 million, RMB3,139.8 million and RMB1,419.8 million, respectively, accounting for 67.1%, 67.5%, 73.2% and 66.4% of our total revenue, respectively.

Our construction projects are generally awarded by a bidding process or by contract negotiations with our customers. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, we submitted 439, 382, 363 and 115 bids, respectively, and our success rates for such bids were 49.0%, 50.0%, 50.7% and 52.2%, respectively.

The following table sets forth the movement of the number of our construction projects during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
Opening number of projects[1]	231	188	212	176
Number of new construction projects[2]	124	108	143	66
Number of completed construction projects[3]	(167)	(84)	(179)	(120)
Closing number of projects[4]	188	212	176	122

Notes:

(1) Opening number of projects means the number of construction projects where the percentage of completion had not reached 100% as of the beginning of the relevant year or period indicated.

(2) Number of new construction projects means the number of construction projects awarded to us during the relevant year or period indicated.

(3) Number of completed construction projects means the number of construction projects where the percentage of completion reached 100% during the relevant year or period indicated.

(4) Closing number of projects means the number of construction projects where the percentage of completion had not reached 100% as of the end of the relevant year or period indicated.

The following table sets forth the movement of backlog of our construction projects during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*
Opening value of backlog	5,038.5	5,193.7	4,238.8	4,756.4
Net value of new projects[(1)]	3,532.8	3,238.7	4,922.7	2,575.5
Revenue recognized[(2)]	(3,377.6)	(4,193.6)	(4,405.1)	(2,205.3)
Closing value of backlog[(3)]	5,193.7	4,238.8	4,756.4	5,126.6

Notes:

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

(2) Revenue recognized means the revenue that has been recognized during the relevant year or period indicated, such amounts are before deducting business tax.

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

By role

During the Track Record Period, we completed 550 construction projects. We undertook most of such construction projects as a general contractor. As a general contractor, we perform all major aspects of the construction project, including building construction, foundation works, curtain wall construction, building decoration and fire proofing projects. We are also responsible for engaging subcontractors to provide construction services and the labor force for the construction project, coordinating the work of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that the construction project is on schedule. Major construction projects in which we act as a general contractor typically require an average of one to three years to complete. We believe undertaking construction projects as a general contractor is a representation of our capabilities and is significant to our continued success. Having obtained the Premium Class Certificate in early 2015, we are able to, and expect to continue to be able to, undertake larger-scale building construction projects with increased complexity and higher returns nationwide, as well as charge a premium rate for our services.

For a summary of the types of construction contracting services we are licensed to provide, see "– Licenses, Certificates and Permits."

By project type

We provide construction contracting services for residential construction projects, commercial construction projects, industrial construction projects and public works construction projects. The following table sets forth the breakdown of revenue generated from our construction contracting business by project type for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million* (unaudited)	*%*	*RMB million*	*%*
Residential construction projects	1,551.4	47.5	2,074.0	51.2	2,147.4	50.4	905.2	50.2	663.1	31.1
Commercial construction projects	972.8	29.8	1,221.5	30.1	1,456.0	34.2	611.9	33.9	1,182.3	55.4
Industrial construction projects	483.8	14.8	528.7	13.1	487.3	11.5	220.6	12.3	187.0	8.8
Public works construction projects	258.8	7.9	228.6	5.6	167.8	3.9	65.5	3.6	99.6	4.7
Total revenue from construction contracting business	**3,266.8**	**100.0**	**4,052.8**	**100.0**	**4,258.5**	**100.0**	**1,803.2**	**100.0**	**2,132.0**	**100.0**

Our residential construction projects primarily consist of large-scale residential complexes and affordable housing complexes. For residential construction projects, our customers primarily include real estate developers. During the Track Record Period, we generated RMB6,435.9 million in revenue from approximately 130 residential construction projects, representing 46.9% of revenue from our construction contracting business during the same period.

Our commercial construction projects primarily consist of hotels, shopping malls and office buildings. For commercial construction projects, our customers are primarily real estate developers. During the Track Record Period, we generated RMB4,832.6 million in revenue from approximately 120 commercial construction projects, representing 35.3% of revenue from our construction contracting business during the same period.

Our industrial construction projects primarily consist of factories and warehouses of industrial and manufacturing companies. During the Track Record Period, we generated RMB1,686.8 million in revenue from approximately 100 industrial construction projects, which represented 12.3% of revenue from our construction contracting business during the same period.

Our public works construction projects primarily consist of sporting facilities, schools and hospitals. For public works construction projects, our customers are primarily governmental bodies. During the Track Record Period, we generated RMB754.8 million in revenue from approximately 270 public works construction projects, representing 5.5% of revenue from our construction contracting business during the same period.

Major Construction Projects

The following table sets forth details of our top ten construction projects by revenue during the Track Record Period. Jujiang Holdings did not award us any of the projects listed below.

	Project type	Location	Time of completion(1)/ expected time of completion(2)	Total revenue recognized during the Track Record Period	Total gross profit recognized during the Track Record Period	Contract value	Outstanding contract value as of 30 June 2015(3)
				RMB million	*RMB million*	*RMB million*	*RMB million*
Project A	Residential construction project	Zhejiang Province	November 2015	448.8	23.9	518.2(4)	27.8
Project B	Commercial construction project	Beijing Municipality	May 2016	396.2	13.9	464.3(4)	16.6
Project C	Residential construction project	Zhejiang Province	November 2016	393.7	19.0	469.7(4)	13.1
Project D	Residential construction project	Jiangsu Province	January 2015	358.0	20.3	360.3(5)	–
Project E	Residential construction project	Zhejiang Province	October 2015	296.9	21.0	694.4(6)	13.0
Project F	Residential construction project	Zhejiang Province	May 2015	295.2	16.8	354.2(5)	–
Project G	Residential construction project	Anhui Province	December 2014	287.6	17.6	350.0(6)	–
Project H	Residential construction project	Liaoning Province	June 2014	261.0	17.9	270.0(7)	–
Project I	Residential construction project	Hunan Province	March 2016	254.7	12.8	310.0(4)	31.5
Project J	Commercial construction project	Jiangsu Province	December 2015	241.9	10.5	276.3(4)	6.3

Notes:

(1) Time of completion represents the time when we submitted the project completion report to our customers.

(2) Expected time of completion represents the time of completion set forth in our construction contracting contracts or the time of completion as later agreed upon with our customers.

(3) Outstanding contract value represents the difference in total contract value and accumulated revenue recognized as of 30 June 2015.

(4) The total revenue recognized for this construction project during the Track Record Period is within the contract value because the construction project was still in progress as of 30 June 2015.

(5) The total revenue recognized for this construction project during the Track Record Period is within the contract value because the contract value includes fees for subcontracting work, which we did not perform.

(6) The difference between contract value and total revenue recognized during the Track Record Period is because we recognized significant revenue on this construction project before the Track Record Period.

(7) The total revenue recognized for this completed construction project during the Track Record Period is below the contract value because there was a slight decrease in scope of work during the course of the construction project.

Backlog

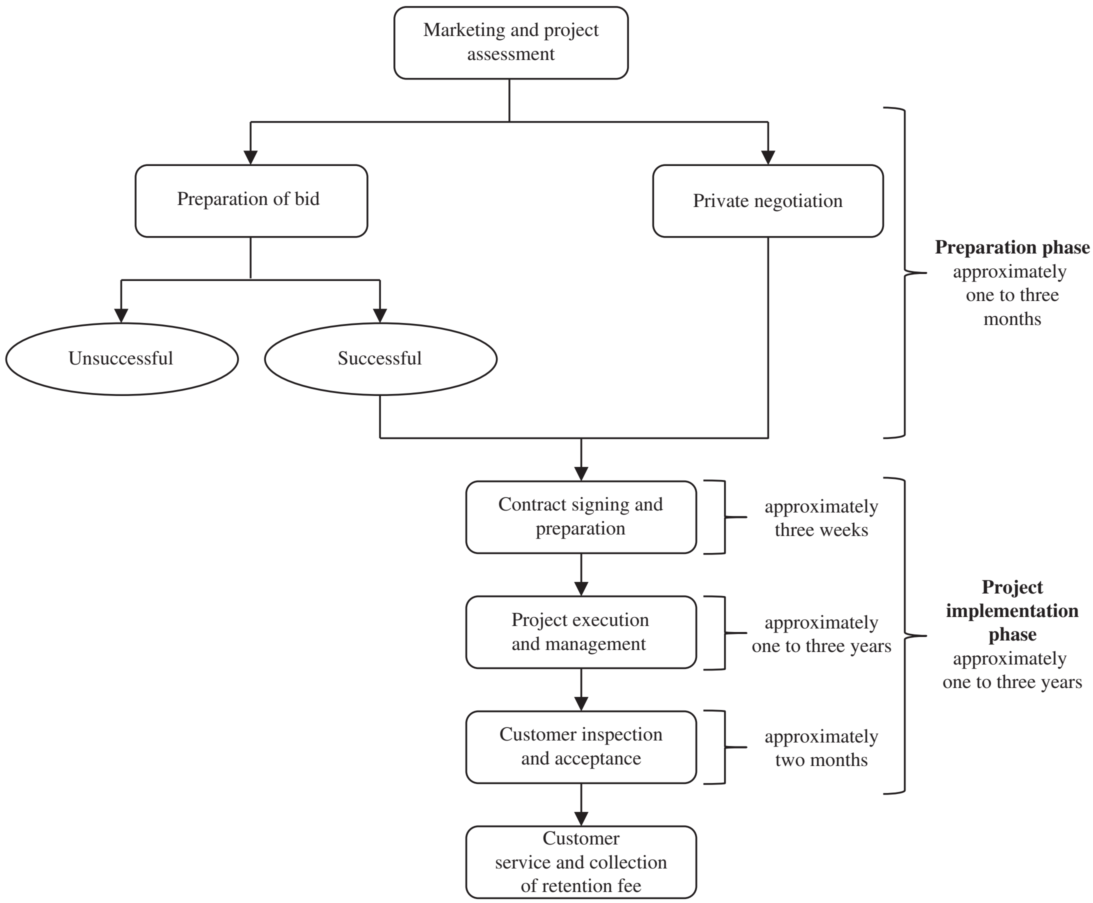
As of 30 June 2015, we had RMB5,126.6 million in terms of contract value in our backlog, consisting of RMB3,257.3 million in terms of contract value for work yet to be completed in projects under construction and RMB1,869.3 million in terms of contract value for new construction projects. We expect to recognize RMB1,851.2 million and RMB2,450.6 million in revenue of our backlog for the six months ending 31 December 2015 and the year ending 31 December 2016, respectively.

The following table sets forth a breakdown of our backlog in terms of contract value by project type as of 30 June 2015:

	As of 30 June 2015	
	RMB million	*%*
Residential construction projects	2,507.9	48.9
Commercial construction projects	2,423.5	47.3
Industrial construction projects	70.7	1.4
Public works construction projects	124.5	2.4
Total backlog from construction contracting business	**5,126.6**	**100.0**

Operation Process

The following flowchart summarizes the key stages of our operation process in our construction contracting business:



Marketing and project assessment

A majority of our construction projects are identified through the efforts of our sales and marketing department. We also identify construction projects by invitation or referral from our customers, online advertisements and industry periodicals. For more information on our sales and marketing activities, see "– Sales and Marketing and Customers." As certain construction projects require public bidding under PRC laws and regulations, we conduct information collection of construction projects on government websites where such projects are posted.

After we determine what construction projects are available, we conduct an internal assessment of which projects to pursue based on a review of a number of factors, including technical specifications of the project, costs, commercial terms, project location, project prospects and potential, customer background and whether the necessary licenses, certificates and permits have been obtained.

Preparation phase

Our construction projects are generally awarded by a bidding process or by contract negotiations with our customers. In accordance with the *Provisions on the Scope and Threshold of Construction Projects for Bid Invitation*, certain public works construction projects and large-scale infrastructure projects must be awarded through bidding. For more information, see "Regulatory Overview – Bids." Generally, the preparation phase of each construction project ranges from one to three months.

Preparation of bid

If we are required to submit a bid for the construction project, we will first conduct a detailed analysis of the proposed construction project, including a comprehensive review of the technical and commercial conditions and requirements, the work scope of the project and a cost and risk assessment. With such analysis, we will put together a draft bid. Our draft bids generally include a proposed project schedule and timeline of each construction stage as well as a schedule of rates, which primarily includes the rates charged for raw materials, equipment and machinery and labor. Our draft bids must be signed off by sales and marketing department before submission. Typically, our bid preparation process can take one to three weeks and we generally receive the bid results from our customers within one to eight weeks after our submission.

If we are successful in our bid for a construction project, we will draft the construction contracting contract based on our bid and the notice of bid award or evaluate the terms provided in our customers' construction contracting contract. Our sales and marketing department will lead contract negotiations with our customers. The negotiated terms of the construction contracting contract will then undergo our sign-off process. Our construction contracting contracts must be signed off by our project management department, legal department and sales and marketing department.

Private negotiation

Some of our construction projects are awarded through private negotiations. If the construction project is negotiated privately with our customer and does not require a bidding process, we will conduct further diligence on the construction project and devise the contract terms accordingly. Upon internal approval of such contract terms, we will engage in contract negotiations with our customers following the same negotiation, review and sign-off process as that discussed above.

Project implementation phase

Project preparation

Upon execution of the construction contracting contract, we will begin to commence the implementation of construction projects by assigning project managers to the project and forming a project management team. We will also obtain and assist our customers to obtain the necessary permits to commence the construction work. We also prepare for the construction projects by forming construction plans in accordance with the construction blueprint design, terms of the construction contracting contract and bid documents, as well as making plans to purchase raw materials and for leasing or procuring construction equipment. We generally allot three weeks of preparation time before commencement of a construction project.

Project execution and management

The duration of our construction projects typically range from one to three years. We have established project management and control procedures and conducted our construction contracting business in accordance with such procedures to ensure compliance with contract requirements. During the course of the construction projects, our customers, or independent surveyors engaged by our customers, conduct regular inspection of our work. For more information on the quality inspections conducted by our customers or independent surveyors, see "– Quality Control and Management." We communicate regularly with our customers during the construction process to ensure that our work meets their expectations.

Our construction projects are managed by our project management department, which assigns a project management team to each project. The size of each project management team increases proportionately with the increase in scale and complexity of the construction project. Each project management team typically comprises project managers, project technical directors, as well as staff teams responsible for project accounting, construction technology, project quality and safety, supply and equipment management, labor management and construction supervision.

Project managers

Our project managers are mainly responsible for coordinating and managing the construction projects, allocating work within the project management team, drafting monthly construction plans, construction material procurement plans and equipment procurement or leasing plans, as well as coordinating with the customer, independent surveyors, suppliers and subcontractors, if any. All of our project managers are constructors holding Class A or Class B Constructor Licenses. We assign project managers with the relevant expertise, such as in construction engineering, municipal engineering or mechanical and electrical engineering, based on the needs of each individual construction project. In general, our project managers have approximately ten years of industry experience.

Project technical directors

Our project technical directors manage the technical, quality control and safety aspects of our construction projects. Their responsibilities include organizing review of the construction blueprint design, preparing construction technology plans and detailed construction plans, as well as participating in quality and safety inspections, workplace injury investigations and project cost analyses. Our project technical directors are engineers with extensive industry experience.

Customer inspection and acceptance

Upon completion of the construction project and after the project passes our internal inspection, we submit a project completion report (竣工報告) to our customers. Our customers, or third-party inspectors engaged by our customers, and the relevant government authorities will then conduct inspection on the project. From time to time, our customers may require us to make certain modifications or reworks upon inspection. Upon passing the inspection, we will receive an acceptance of our project completion report issued by our customer and other parties involved in the inspection process. The customer inspection and acceptance process generally requires approximately two months to complete. Thereafter, we will settle our accounts with the customer after a prior internal review of such accounts and in accordance with the construction audit report mutually agreed to by us and our customer to certify the settlement amount.

Customer service and collection of retention fee

Upon completion of the construction project and during the warranty period, we are responsible for any defects during construction under the terms of our construction contracting contract. Our customers generally retain a retention fee equal to 3% to 5% of the settlement amount calculated upon completion and acceptance of the construction projects payable to us. The retention fee will generally be returned to us in installments during the warranty period. The length of the warranty period typically ranges from two to five years, depending on the type of construction service we provide. During the Track Record Period, we collected substantially all of the retention fees retained by our customers pursuant to the contract terms as they became due. The small portion of retention fees not recovered were used by our customers to perform minor reworks. During the same period, we expected to be able to recover substantially all such retention fees, and as such, we did not make any provision for such fees.

Price Determination

We generally provide a price quote during the bidding process or engage in price negotiations with our customers. Our price quote is determined primarily based on a number of factors, including the availability and costs of raw materials and equipment and machinery, subcontracting costs, project schedule, labor costs, geographical location, environmental condition of the project site, as well as the complexity and scale of the construction project.

We may negotiate construction contracting contracts on a fixed-price or variable-price basis. Our fixed-price contracts quote a fixed total contract value and some of such contracts contain price adjustment mechanisms. Generally, the value of our fixed-price contracts may be adjusted: (i) if we experience major raw material price fluctuations of 5% or more; (ii) if we are required to provide additional services; or (iii) if certain force majeure events occur. The amount of adjustment for raw materials prices is generally determined based on references to government-published prices. Under most of our variable-price contracts, our fees are determined by a unit price and the total volume of actual work performed. The unit price may be fixed or may reference a government-published price, and we may adjust such price through negotiation with our customer.

We manage cost increases through negotiating the terms in our construction contracting contracts. We prefer to enter into variable-price contracts with our customers to manage our exposure to cost fluctuations. If the construction project is smaller in scale or if our customers require us to enter into fixed-price contracts, we will enter into fixed-price contracts. We will try to negotiate a price adjustment clause in such contracts. If our fixed-price contracts do not contain a price adjustment clause, then we will consider the risk of cost increase when determining the fixed contract price and negotiating the payment schedule.

During the Track Record Period, we had approximately 650 variable-price contracts, whose aggregate contract value accounted for approximately 60% of the total contract value of our construction contracting contracts. Generally, our customers settle accounts with us based on a government-published price for raw materials and construction services under variable-price contracts. During the same period, we had approximately 750 fixed-price contracts, whose aggregate contract value accounted for approximately 40% of the total contract value of our construction contracting contracts. Of these fixed-price contracts, approximately 200 had price adjustment clauses or a term that allows us to negotiate the settlement amount upon completion of the construction project. For the remaining of these contracts which were entered into during the Track Record Period, the aggregate contract value accounted for approximately 20% of the total contract value of the construction contracting contracts we entered into during the Track Record Period. As such, we were able to adjust our settlement amount of a majority of our construction contracting contracts in terms of contract value based on cost fluctuations to a certain extent as stipulated in the construction contracting contracts. Such contracts represented approximately 80% of the total contract value of our construction contracting contracts. We did not experience any material cost overrun and did not have any loss-making projects during the Track Record Period.

Contract Terms

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

- *Payment schedule*. Some of our construction contracting contracts require an advance payment from our customers, which may be in an amount equal to 10% to 15% of the contract value, normally used to cover various costs incurred in the early stages of the project. Payments for our construction contracting services are generally made in: (i) monthly progress payments, which is calculated as the percentage of completion applied to the total contract value, less approximately 20% which is withheld by our customers until their acceptance of the construction project; or (ii) payment upon achieving key milestones set forth in our construction contracting contracts. We generally prepare a construction audit report based on our internal review after our customer accepts our construction project. Our customers may settle the accounts with us based on our construction audit report, or engage an independent consultant to perform an audit. The construction audit performed by independent consultants may require four to 12 months to complete. We generally receive final payment within two months.

- *Performance guarantee*. We are generally required to provide a performance guarantee in the form of a letter of guarantee or deposit, from which the customer is entitled to deduct if we fail to fulfill our obligations regarding project quality, project schedule and safety management set forth in the construction contracting contract. The performance guarantee is usually 5% to 10% of the contract value or a specified amount stipulated in the construction contracting contract. The remaining performance guarantee is returned to us after the completion and acceptance of the construction project and the completion of the construction audit.

- *Project delays*. If the project is delayed through no fault of ours, including a material expansion of work scope or the occurrence of force majeure events, we will normally be granted an extension equal to such delay. If we cause a delay in the project schedule, we shall pay liquidated damages at an agreed rate per day to our customer. Our Directors advise that, during the Track Record Period and up to the Latest Practicable Date, we did not pay any liquidated damages to our customers.

- *Subcontracting*. We are allowed to subcontract ancillary construction services, such as curtain wall construction, building decoration and fire proofing equipment installation. Further, as is customary in the PRC construction industry, we engage subcontractors to provide labor services. Generally, our customers' approval must be obtained before we engage subcontractors. For details of our subcontracting arrangements, see "– Subcontracting."

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

- *Termination*. Generally, our construction contracting contracts may be terminated: (i) by mutual agreement by both parties; (ii) by us in the event that the customer delays payment without our prior mutual agreement to extend the payment schedule; or (iii) by the customer in the event that we subcontract the construction work in whole or in part to another party without the customer's prior approval, that we cause material project delays or that we are not able to complete required reworks on time as requested by out customer or by the independent surveyors.

Credit Policy

In general, we grant credit terms of one to three months to our repeat customers, while we require payment in advance for new customers. Pursuant to our internal control policies, we are required to perform credit verification procedures on all customers trading on credit terms and maintain strict control over our outstanding trade and bills receivables. As of 31 December 2012, 2013 and 2014, and 30 June 2015, the current portion of our trade and bills receivables were RMB468.9 million, RMB468.8 million, RMB486.3 million and RMB448.3 million, respectively. Our trade and bills receivables turnover days remained stable at 45, 42, 41 and 40 days for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, respectively. See "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Selected Items of the Consolidated Statements of Financial Position – Trade and bills receivables" for a discussion of our trade and bills receivables and the calculation method of our trade and bills receivables turnover days. Overdue balances are reviewed regularly by our senior management. See "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures about Market Risk – Credit risk" for a discussion of our credit risks.

Seasonality

As most of our construction projects were located in provinces and regions with relatively mild seasonal weather changes during the Track Record Period, our construction contracting business was not subject to major seasonality fluctuations.

Competition

The construction industry in China has developed significantly in recent years as a result of high economic growth and a strong real estate market. The construction contracting industry in China is fragmented. With limited exceptions, most of the construction companies in China, including us, focus their business regionally. According to *Ipsos*, as of 31 December 2014, there were 564 construction companies in Jiaxing, including us. We were the largest construction company in Jiaxing in terms of output value in 2014, holding a market share of

10.4%, according to *Ipsos*. In addition, according to *Ipsos*, we held a 0.5% market share in Zhejiang Province in terms of output value in 2014. The main entry barriers to the Jiaxing construction contracting business include the qualification requirements for general contractors, project quality and safety, track record of construction projects and strong financing ability. See "Industry Overview" and "Regulatory Overview – Qualifications" for more information on the construction contracting market and the relevant laws and regulations, respectively.

During the Track Record Period, the majority of construction projects awarded to us were located in Eastern China. Competition in Eastern China's highly fragmented construction industry has become increasingly intense in recent years as the construction industry continues to experience rapid growth. Our main competitors in the construction contracting business were regional and national construction companies during the Track Record Period. We compete primarily on the basis of our ability to complete construction projects on a shorter timeline, our prices, the quality of our construction projects and our well-established relationship with customers.

We believe our many competitive advantages allow us to compete effectively with our competitors. We have obtained a wide range of construction industry qualifications, allowing us to provide a comprehensive set of construction services to our customers that our competitors may not be qualified to provide. Our high-quality and safe construction projects have won us numerous industry awards, allowing us to augment our reputation and brand recognition. Our headquarters being in Jiaxing, which in recent years has experienced sizeable economic and social development, including in urban construction, have supported the development of the local construction industry and provided us with growth opportunities. Moreover, our focus on technological progress and our experienced project management team are key advantages we possess. While competition in our industry is intense, we believe our competitive advantages will allow us to continue to differentiate ourselves from our competitors.

Awards and Recognitions

The following table sets forth the major awards and recognitions we have received in connection with our construction contracting business during the Track Record Period:

Name of award or recognition	Issuing body	Date of issuance
2013 China Top 100 Construction Companies with High Growth Potential (2013 年度中國建築業成長性百強企業)	China Construction Industry Association (中國建築業協會)	September 2014

Name of award or recognition	Issuing body	Date of issuance
2012 and 2014 Qianjiang Cup (錢江杯)	ZHURD, Construction Industry Association of Zhejiang Province (浙江省建築業行業協會) and Construction Engineering Quality Management Association of Zhejiang Province (浙江省工程建設質量管理協會)	June 2014, September 2012
AAA Grade Creditable Enterprise in the PRC (中國AAA級信用企業)	China Construction Industry Association (中國建築業協會)	January 2014
Premier Construction Enterprise of Zhejiang Province (浙江省建築強企)	ZHURD	January 2014
2011-2012 National High Quality Project Award (2011-2012 年度國家優質工程獎)	National Engineering Construction Quality Award Evaluation Committee (國家工程建設質量獎審定委員會)	November 2012

OTHER BUSINESSES

Design, Survey and Consultancy Business

Leveraging our experience in the construction contracting business, we also provide design, survey and consultancy services to our customers. According to *Ipsos*, we were one of the few companies in Jiaxing holding the Engineering Design Certificate as of 30 June 2015, which allows us to provide design, survey and consultancy services for building construction projects of any scale in China. Not only does the Engineering Design Certificate allow us to undertake a wider range of projects, we are also able to increase profitability from projects of larger scale.

We primarily provide general construction design services, intelligent building systems design services, lighting engineering design services, fire proofing project design services and lightweight steel structure design services. We provide such services mainly for commercial and industrial construction projects, including factories, mixed-use residential and commercial complexes, as well as residential and office complexes. During the Track Record Period, we had approximately 200 design, survey and consultancy projects, generating RMB40.4 million in revenue. As of 30 June 2015, we had ten design, survey and consultancy projects under development with an aggregate contract value of RMB13.4 million.

Our design, survey and consultancy service contracts specify the major terms of a project, such as price, payment schedule, project schedule, project specifications and work scope. Generally, we receive a deposit upon signing such contract and the remainder of the contract value in installment payments that are due upon achieving key milestones stipulated in the contract. In some cases, a certain percentage of the contract value is withheld until after final acceptance of the construction project to which we provided design, survey and consultancy services, ranging one to three years in length.

Civil Defense Products Manufacturing Business

In April 2014, we received our license to manufacture civil defense products from OCAD. We manufacture civil defense products at our Jiaxing Production Facility. As of 30 June 2015, we mainly operated our civil defense products manufacturing business in Jiaxing. According to *Ipsos*, we were one of the three civil defense products manufacturers in Jiaxing as of 30 June 2015. Upon the introduction of new policies and regulations disclosed in "Regulatory Overview – Civil Defense Product Manufacturing", we are in the process of obtaining the new license needed for such business. As advised by our PRC Legal Advisers, there is no legal impediment for us to obtain such license. Moreover, our PRC Legal Advisers have confirmed that we are in compliance with the new policies and regulations in all material respects.

We mainly manufacture heavy duty construction-related structures, such as protective doors and protective valves that protect against radioactive materials, thermal radiation, toxic biological and chemical agents and high temperatures. To operate our civil defense products manufacturing business and as required by the relevant license, we have recruited a team of civil defense, electric, civil construction and mechanical engineers, technical personnel and quality control personnel. The main responsibility of such personnel is to ensure that our civil defense products meet the applicable national technical and quality standards. See "Regulatory Overview – Civil Defense Product Manufacturing" for the technical and quality standards our civil defense products must meet.

We own shearing machinery (剪板機), bending machinery (折彎機) and automatic cutting machinery (自動下料切割機), as well as other processing machinery and quality assurance equipment to operate our civil defense products manufacturing business. Our designed annual production capacity for civil defense products was approximately 800 units of protective doors as of each of 31 December 2014 and 30 June 2015. Our designed annual production capacity is calculated in terms of protective doors because they are a major product we manufacture and calculated based on the daily output volume of our automatic cutting machinery, which is the bottleneck for our production process for protective doors. We assume that our production facility operates 8 hours each day for 22 days each month.

For our civil defense products manufacturing business, our customers primarily include real estate developers and construction companies. During the Track Record Period, we generated RMB8.6 million in revenue from our civil defense products manufacturing business. As of 30 June 2015, we had approximately 60 orders for civil defense products in our backlog, of which the aggregate contract value yet to be recognized was RMB20.5 million.

For the year ended 31 December 2014 and the six months ended 30 June 2015, the gross profit margin for our civil defense products manufacturing business was 27.1% and 6.4%, respectively. The decrease in our gross profit margin during these periods is primarily because of a price decrease in civil defense products as a result of the PRC Government's new policies to open up this industry. See "Regulatory Overview – Civil Defense Product Manufacturing." We commenced and developed our civil defense products manufacturing business as an ancillary business to construction contracting as such civil defense products are used in many construction projects. Going forward, we will continue to develop our civil defense products manufacturing business based on our business plan for our construction contracting business. Given its limited contribution to our total revenue for the year ended 31 December 2014 and the six months ended 30 June 2015, we believe the future development of such business will not materially affect our business, financial condition and results of operations.

LICENSES, CERTIFICATES AND PERMITS

We operate heavily regulated businesses that require us to obtain and maintain a number of licenses, certificates and permits. We are advised by our PRC Legal Advisers that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all the material requisite licenses, certificates and permits from the relevant regulatory authorities for our operations in China, and all of our material licenses, certificates and permits were in force as of the Latest Practicable Date. We may be required to renew or update information on our licenses, certificates and permits from time to time. We generally commence preparations for renewal procedures one to three months in advance of the relevant due dates. As advised by our PRC Legal Advisers, we do not expect any difficulties in such renewals so long as we meet the applicable requirements and conditions and adhere to the procedures set forth in the relevant laws and regulations as required by the relevant government authorities. For details of the requisite regulatory licenses, certificates and permits, see "Regulatory Overview – Qualifications." The material operating licenses, certificates and permits held by us as of the Latest Practicable Date are summarized as follows:

Name of operating licenses, certificates or permits	Holder	Class/ Grade	Relevant business	Issuing authority	Effective period
Overseas Contracting Certificate (對外承包工程資格證書)	Company	–	Construction contracting	Department of Commerce of Zhejiang Province	1 June 2010 – 27 November 2017
General building construction project general contracting work (房屋建築工程施工總承包)	Company	Premium (特級)	Construction contracting	MOHURD	28 January 2015 – 28 January 2020

Name of operating licenses, certificates or permits	Holder	Class/ Grade	Relevant business	Issuing authority	Effective period
Engineering design (construction industry) (工程設計(建築行業))	Company	A (甲級)	Design, survey and consultancy	MOHURD	29 April 2015 – 28 January 2020[1]
Engineering design (construction projects) (工程設計(建築工程))	Jujiang Design	A (甲級)	Design survey and consultancy	MOHURD	20 July 2011 – 20 July 2016
Remodeling and decoration construction project professional contracting (建築裝修裝飾工程專業承包)	Company	First (一級)	Construction contracting	MOHURD	25 June 2014 – 24 June 2019
Historical architecture project professional contracting (園林古建築工程專業承包)	Company	First (一級)	Construction contracting	MOHURD	25 June 2014 – 24 June 2019
Fire proofing project professional contracting (消防設施工程專業承包)	Company	First (一級)	Construction contracting	MOHURD	25 June 2014 – 24 June 2019
Steel structure project professional contracting (鋼結構工程專業承包)	Company	Second (二級)	Construction contracting	MOHURD	24 June 2007 onwards
Foundation engineering professional contracting (地基與基礎工程專業承包)	Company	First (一級)	Construction contracting	MOHURD	16 February 2015 – 15 February 2020
Mechanical and electric installation project general contracting (機電安裝工程施工總承包)	Company	Second (二級)	Construction contracting	MOHURD	25 June 2014 – 24 June 2019

Name of operating licenses, certificates or permits	Holder	Class/ Grade	Relevant business	Issuing authority	Effective period
Designated manufacturer and installer of defense equipment used in civil defense (人防工程防護設備定點生產和安裝企業)	Jujiang Defense Equipment	–	Civil defense products manufacturing	OCAD	25 April 2014 – 24 April 2017[(2)]
Curtain wall construction project professional contracting (建築幕牆工程專業承包)	Jujiang Curtain Wall	Second (二級)	Construction contracting	ZHURD	18 September 2013 – 17 September 2018
Lifting equipment installation project professional contracting (起重設備安裝工程專業承包)	Jujiang Lifting Equipment	Second (二級)	Construction contracting	ZHURD	29 December 2011 – 28 December 2016
Municipal and public construction project general contracting (市政公用工程施工總承包)	Jujiang Municipal Landscaping	Second (二級)	Construction contracting	ZHURD	3 February 2015 – 6 December 2019
Sports facilities construction project professional contracting (體育場地設施工程專業承包)	Jujiang Municipal Landscaping	Second (二級)	Construction contracting	ZHURD	3 February 2015 – 6 December 2019
Landscape construction enterprise (城市園林綠化企業)	Jujiang Municipal Landscaping	Second (二級)	Construction contracting	ZHURD	January 2013 – January 2018
Work safety permit (安全生產許可證)	Company	–	–	ZHURD	14 January 2014 – 13 January 2017

Name of operating licenses, certificates or permits	Holder	Class/ Grade	Relevant business	Issuing authority	Effective period
Work safety permit (安全生產許可證)	Jujiang Municipal Landscaping	–	–	ZHURD	24 September 2014 – 23 September 2017
Work safety permit (安全生產許可證)	Jujiang Lifting Equipment	–	–	ZHURD	7 July 2013 – 6 July 2016
Work safety permit (安全生產許可證)	Jujiang Curtain Wall	–	–	ZHURD	11 July 2014 – 10 July 2017

Notes:

(1) This certificate was first obtained in 28 January 2015 and was replaced with a new certificate on 29 April 2015 due to a change in our registered capital.

(2) We are in the process of obtaining a new license for our civil defense products manufacturing business. See "Regulatory Overview – Civil Defense Product Manufacturing."

We successfully obtained the Premium Class Certificate and Engineering Design Certificate on 28 January 2015 after undergoing a stringent review process. As of 30 June 2015, we were the only construction company in Zhejiang Province holding both certificates. Holding the above listed certificates enables us to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide.

RESEARCH AND DEVELOPMENT

We primarily devoted our research and development efforts to our construction contracting business. In April 2007, we established a technology center located at our headquarters in Jiaxing, which was named by the Economic and Information Commission of Zhejiang Province (浙江省經濟和信息化委員會) in 2012 as a Construction Industry Enterprise Technology Center of Zhejiang Province (浙江省建設行業企業技術中心), the first provincial-level research facility in the construction industry in Jiaxing. Our technology center was also the first to be recognized as a Key Technological Innovation Team in Jiaxing (嘉興市重點企業技術創新團隊) in the construction industry. As of the Latest Practicable Date, we had 22 patented technologies, which we have incorporated into our construction processes.

We also lead or participate in research projects to develop construction process methodologies. As of the Latest Practicable Date, we held three national-level construction process methodologies recognized by the MOHURD. National-level construction process methodologies are recognized for significant and innovative construction methods that have the potential to generate economic value. As of the Latest Practicable Date, we also developed 23 provincial-level construction process methodologies. Further, we actively participate in drafting and establishing technical specifications that form the PRC construction industry standards. For example, we were the principal author of the *Technical Specifications of Constraints Masonry and Reinforced Masonry Structures* (約束砌體與配筋砌體結構技術規程) published by the MOHURD, which was implemented as a national industry standard on 1 December 2014.

We collaborate with various research institutions and other construction companies in China to develop innovative technologies and construction process methodologies. We have established a collaborative research platform with the Department of Architecture of Tongji University, a leading research institution for construction and design in the PRC, to engage in research projects. We have entered into a framework cooperation agreement with the Department of Architecture of Tongji University for a term of three years, expiring in July 2016. The framework cooperation agreement stipulates that the Department of Architecture of Tongji University will provide active support in our research and development activities and we will set up a scholarship and provide internship opportunities. Under the framework cooperation agreement, we will have exclusive ownership rights to any patents developed on our collaborative research projects.

As of the Latest Practicable Date, our research and development team consisted of 25 personnel from our project management and quality and safety departments. Such personnel are industrial and civil construction engineers and civil engineers with extensive industry experience. Our research and development team is led by Mr. Zheng Gang, our vice president and director of our technology center, and Mr. Gao Xingwu, our chief engineer. Mr. Zheng Gang is a professor-level senior engineer in construction engineering, which is the highest qualification for professional engineers in China. Mr. Zheng Gang is devoted to the development and innovation of construction process methodologies. He led our development of two national-level construction process methodologies and ten related patents and was awarded the 2013 Outstanding Construction Professional Manager in China (2013年度中國工程建設優秀職業經理人) by China Association of Construction Enterprise Management (中國施工企業管理協會). Mr. Gao Xingwu is a senior engineer in industrial and civil construction and has over 25 years of industry experience. He has received numerous awards and recognitions, including recognition as a Constructor of National Excellence (全國優秀建造師) and Zhejiang Province Construction Enterprise Outstanding Project Manager (浙江省建築業企業優秀項目經理).

To promote research and development efforts, we have in place an incentive system rewarding our employees for the patents and construction process methodologies they develop, as well as for the awards and recognitions conferred to us by government authorities or industry associations as a result of the research and development achievements of our employees.

Our total expenses on research and development for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015 amounted to RMB12.1 million, RMB13.0 million, RMB14.4 million and RMB6.9 million, respectively. Research and development expenditure we incur is capitalized and deferred only when the technical feasibility of completing the intangible asset so that it will be available for use or sale can be demonstrated.

SALES AND MARKETING AND CUSTOMERS

Our sales and marketing team comprised 36 personnel as of the Latest Practicable Date. Through the efforts of our sales and marketing team we have established solid relationships with many of our long-term customers for periods ranging from three to ten years. During the Track Record Period, most of our major customers were located in Jiaxing. We continue to maintain such relationships by conducting periodic visits to understand the construction needs of our customers and learn about their new projects. Substantially all of our revenue are derived from our construction contracting business, which accounted for 99.9%, 99.5%, 99.3% and 99.6% of our revenue for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, respectively. Revenue from our top five customers were all related to our construction contracting business during the Track Record Period.

For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, revenue from our top five customers amounted to RMB1,109.7 million, RMB1,530.5 million, RMB1,263.4 million and RMB629.6 million, respectively, accounting for 33.9%, 37.6%, 29.5% and 29.4% of our total revenue, respectively. During the same periods, revenue from our largest customer amounted to RMB582.7 million, RMB704.4 million, RMB382.3 million and RMB157.6 million, respectively, accounting for 17.8%, 17.3%, 8.9% and 7.4% of our total revenue, respectively. Jujiang Holdings, a Controlling Shareholder, and its subsidiaries (other than the Company) were grouped as one of our top five customers during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, revenue from Jujiang Holdings amounted to RMB175.7 million, RMB322.4 million, RMB259.7 million and RMB104.1 million, respectively, accounting for 5.4%, 7.9%, 6.1% and 4.9% of our total revenue, respectively. Our Directors confirm that, save as disclosed above, as of the Latest Practicable Date, all of our top five customers were Independent Third Parties.

RAW MATERIALS, EQUIPMENT AND MACHINERY, AND SUPPLIERS

Raw Materials

Our principal raw materials primarily include steel, concrete, moulding and cement. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, costs of our raw materials amounted to RMB2,199.0 million, RMB2,739.5 million, RMB2,857.1 million and RMB1,423.7 million, respectively, representing 70.9%, 70.8%, 70.4% and 70.2% of our total cost of sales, respectively. We generally pass the risk of price fluctuations in our raw materials to our customers by containing price adjustment terms in the construction contracting contracts. We do not keep a significant inventory of raw materials to minimize inventory costs and the risks associated with price fluctuations in raw materials. During the Track Record Period, we did not experience any major price fluctuations, delays or shortages in our supply of raw materials, and we do not anticipate significant difficulties in obtaining alternative sources of supply if necessary. See "Risk Factors – Risks Relating to Our Business and Industry – Our operating results may be significantly affected by changes in the prices and availability of raw materials."

Equipment and Machinery

We rely on a range of equipment and machinery to perform our construction contracting business and civil defense products manufacturing business. We determine the need, duration and quantity for equipment and machinery required in each project on a case-by-case basis. We will take into consideration the project size, project nature, height of buildings, cost and resource allocation, and project specification by each project owner. We either lease or use our own equipment and machinery for our construction projects based on an assessment of the project location, our resource allocation and costs.

According to *Ipsos*, construction of high-rise buildings (which normally refers to residential buildings with more than six stories and non-residential buildings above 24 meters but below 100 meters in height in third-and fourth-tier cities) generally requires more equipment and machinery while construction of low-rise buildings generally requires less equipment and machinery. Foundation machinery, construction cranes and lifts are the major types of machinery used to build high-rise buildings. Construction cranes are generally used to lift and lower materials and/or equipment while lifts are normally used to raise and lower people, materials or equipment.

Foundation machinery are used to drive piles into soil to provide foundation support for buildings. During the Track Record Period, approximately 90% of the construction projects we undertook mainly involved low-rise buildings, which represented approximately 70% of our total contract value. Among the construction projects we undertook that mainly involved low-rise buildings, approximately 73% of those construction projects were not required to use any heavy equipment and machinery, namely foundation machinery, construction cranes and lifts. These projects generally used relatively simple tools such as material elevators (物料提升機) and cutting machines for reinforcing steel and moulding (鋼筋及模板切割機). Depending on the specific requirements of the project, it may not be necessary to use all three types of equipment and machinery on every construction project.

During the Track Record Period, the average costs of each construction crane and lift we used was approximately RMB400,000 per unit and RMB250,000 per unit, respectively. The following table sets forth the information of each major type of construction equipment and machinery we owned as of the dates indicated:

		As of 31 December									As of 30 June		
		2012			2013			2014			2015		
	Useful life	No.	Average years of service	Book value	No.	Average years of service	Book value	No.	Average years of service	Book value	No.	Average years of service	Book value
	Years	*Unit*		*RMB million*	*Unit*		*RMB million*	*Unit*		*RMB million*	*Unit*		*RMB million*
Construction cranes	10	41	4.4	10.0	38	4.1	9.8	45	4.1	11.5	45	4.6	10.7
Lifts	8-10	17	2.1	3.6	23	2.3	4.5	37	2.2	7.0	37	2.7	6.5
Other equipment and machinery	10	249	1.2	1.2	363	1.8	1.5	491	2.1	2.4	491	2.6	2.2
				14.8			**15.8**			**20.9**			**19.4**

Generally, we lease large construction equipment and machinery such as construction cranes, lifts and foundation machinery from third parties to meet the needs of our construction projects and to lower overhead costs for equipment and machinery. For our construction projects that used construction cranes and lifts during the Track Record Period, approximately 30% to 40% of such construction projects in terms of contract value used leased construction cranes and lifts. We lease all foundation machinery from the Independent Third Parties based on cost efficiency considerations. We leased approximately 16 units of foundation machinery on average each year during the Track Record Period. These equipment and machinery are commonly used in the construction industry and are generally available in the market. During the Track Record Period, our average annual leasing expense for each unit of foundation machinery, construction crane and lift leased was approximately RMB160,000 per unit, RMB76,000 per unit and RMB65,000 per unit. Our expenses to lease such equipment and machinery amounted to RMB6.8 million, RMB6.7 million, RMB5.9 million and RMB3.4 million for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, respectively. Our Directors believe that, during the Track Record Period, we were able to ensure that sufficient construction equipment and machinery were available on our construction projects through effective allocation of our owned and leased construction equipment and machinery.

During the Track Record Period, our reliance on leased construction equipment and machinery decreased as we procured more construction equipment and machinery during this period. In line with our business needs, requirements by our customers and cost efficiency considerations, we have invested and intend to continue to invest significantly in new and high-quality equipment and machinery that will enhance our construction and manufacturing capabilities. We expect that our investment in such equipment and machinery will enable us to undertake larger-scale and more complex construction projects made eligible to us by our Premium Class Certificate.

Our equipment and machinery are managed and allocated to construction projects by our project management department. We conduct periodic inspections, repairs and audits of our equipment and machinery. Our equipment and machinery operators also conduct regular repairs and maintenance procedures, including oiling, corrosion prevention and cleaning. We transport our equipment and machinery to and from project sites by engaging independent logistics companies. For equipment and machinery that we lease, the leasing companies are responsible for transporting the equipment and machinery directly to the project sites. In the event our equipment or machinery malfunctions or is damaged, we send such equipment or machinery to our suppliers for repair or replacement if the warranty period, which is generally 12 months for new equipment and machinery, has not expired. For the leased equipment and machinery, leasing companies are responsible for repair or replacement during the leasing period.

Suppliers

We manage the procurement of our principal raw materials separately from the procurement of other raw materials. Other raw materials are procured by our project management department upon receiving approval from our procurement department. For our principal raw materials, our procurement department maintains a list of qualified suppliers, from which our project management department procures on an as-needed basis. Our qualified suppliers are selected based on various criteria, including price, quality, record of timely delivery, location, supply capacity, credit terms, and customer service. We review and update our list of qualified suppliers annually. During the Track Record Period, all of our major suppliers were domestic companies, with whom we have established long-term relationships for a period ranging from three to ten years. We may procure principal raw materials from suppliers not on our list of qualified suppliers only in special circumstances and such procurement must be reviewed by the relevant project manager and approved by our procurement department.

We enter into supply contracts with our suppliers on a project-by-project basis. The key terms included in most of our supply contracts are summarized as follows:

- *Pricing.* Prices of our raw materials are not fixed under the supply contracts and are determined by a unit price and the total volume of raw materials delivered. The unit price is agreed upon by negotiation with our suppliers or by reference to a government-published price.

- *Payment schedule.* Payment schedules for our raw materials vary by supplier and type of raw materials procured. Generally, payments are made: (i) in installments, where approximately 90% to 95% of the price is paid upon delivery and 5% upon settlement of accounts; (ii) on a monthly basis; or (iii) in payments upon achieving key milestones in the relevant construction project set forth in our supply contracts.

- *Delivery, inspection and acceptance.* Raw materials are generally delivered by our suppliers to warehouses or construction sites we designate. Our supply contracts stipulate whether we or our suppliers bear the delivery fees. Generally, damages arising from such delivery are born by our suppliers. We inspect the quality and volume of raw materials upon delivery, which must meet our specifications before they are accepted.

- *Liquidated damages.* Our suppliers are liable for liquidated damages in the event that: (i) the delivery is delayed; (ii) the raw materials fail to meet our quality specifications; or (iii) quality defects of the raw materials cause our construction projects to be suspended for reworks or cause safety accidents on our construction projects. We may be subject to liquidated damages for delays in due payment for our raw materials in accordance with contract terms. Our Directors advise that, during the Track Record Period and up to the Latest Practicable Date, we did not pay any liquidated damages to our suppliers.

Most of our equipment and machinery are procured domestically from manufacturers in China, with whom we have established long-term relationships. We select our equipment and machinery suppliers based on numerous factors, including quality, price, reputation and aftermarket service. We have in place a strict procurement policy and approval system for our equipment and machinery. Generally, we pay a percentage of the contract value upon signing of the equipment and machinery purchase agreements and the remainder within a specific period.

Purchases from our top five suppliers collectively accounted for less than 30% of our total cost of sales during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, purchases from our top five suppliers amounted to RMB195.8 million, RMB275.4 million, RMB289.4 million and RMB162.4 million, respectively, and purchases from our largest supplier amounted to RMB64.4 million, RMB75.5 million, RMB166.4 million and RMB92.0 million, respectively. Tongxing Concrete, in which we hold 18% equity interest, was one of our top five suppliers during the Track Record Period. Our Directors confirmed that our transactions with Tongxing Concrete were conducted on an arm's length basis and on normal commercial terms. Our Directors confirm that, as of the Latest Practicable Date, save as disclosed above, all of our five largest suppliers were Independent Third Parties.

SUBCONTRACTING

During the Track Record Period, we engaged subcontractors to provide certain construction services. Further, we entered into labor services contracts with Jujiang Labor and other Independent Third Parties to supply the labor force in our construction projects during the same period. We are selective of the subcontractors we work with and implement stringent management procedures to control the work of our subcontractors. Our management procedures include: (i) adopting a series of strict cost auditing measures, which are reviewed regularly; and (ii) designating project management personnel to supervise and manage our subcontractors and holding on-site periodic meetings with subcontractors to discuss their performance, construction progress and conduct quality and safety training. We generally compare approximately three potential subcontractors for each subcontracting work based on their qualifications, price quote and historical performance. Our legal department reviews the contract with subcontractors to ensure compliance with relevant laws and regulations. We will require our subcontractors to remedy us for any loss arising from their violations of our quality and safety requirements and any PRC laws and regulations (including payment of wages to subcontracted workers in accordance with contract terms and relevant PRC laws and regulations). Our project management team will closely monitor the work progress and performance (including payment of wages to subcontracted workers on a timely basis) of the subcontractors, as well as their compliance with our safety measures and quality standards. Subcontractors that fail to meet our pre-determined evaluation criteria or remedy the violation within a reasonable period will not be considered for our construction projects in the future. During the Track Record Period, we did not incur any material damages, penalties or other liabilities arising from the contractual violations or misconduct of our subcontractors.

Construction Services Subcontracting

We engage subcontractors from time to time to provide certain ancillary construction services if our customers so require, or if in the interest of the construction project, we believe it is more beneficial to subcontract certain construction services. During the Track Record Period, we mainly subcontracted curtain wall construction, building decoration and fire proofing equipment installation services. We select our subcontractors from our list of qualified subcontractors, with many of whom we have established long-term relationships ranging three to five years. We select and review our list of qualified subcontractors annually based on, among other factors, quality, price and past performance. From time to time, we may receive recommendations for construction subcontractors from our customers. Usually, we will engage such subcontractors if they meet our standards upon our in-depth research of their track record of performance. We engage our subcontractors on a project-by-project basis and do not enter into framework subcontracting agreements.

The terms of our subcontracting arrangements with construction subcontractors may vary depending on our construction contracting contracts with our customers. Key terms included in most of our construction subcontracting contracts are summarized as follows:

- *Responsibilities.* Our construction subcontractors must comply with our various policies and follow our instructions on the construction site. They are responsible for meeting our project schedule and our quality, safety and accident prevention standards. They are responsible for submitting a work plan for our approval, allocating the necessary personnel, construction materials and equipment and providing monthly progress reports.

- *Quality and safety*. Our construction subcontractors are responsible for reworks and the associated costs if the quality of the subcontracted work fails to meet the quality standards as required by our customer, the independent surveyors or local governmental authorities. According to the relevant PRC laws and regulations, we, as the general contractor, and our construction service subcontractor hold joint liability to any safety accidents on the construction project. Our construction service subcontractor shall hold the principal liability if the safety accident was a result of its non-compliance with the general contractor's health and safety management procedures and we, as the general contractor, hold general liability as to such accidents.

- *Raw material procurement.* In most cases, our construction subcontractors are required to purchase raw materials used in their subcontracted work and the related raw material costs is included in the subcontracting fees.

- *Subcontracting fees.* We may prepare our construction subcontracting contracts based on a fixed-price or variable-price basis, depending on the duration and scale of the construction project. We prefer to enter into fixed-price contracts with our construction subcontractors, but may enter into variable-price contracts for construction subcontracting works of smaller scale or to be completed in less than one year. For fixed-price construction subcontracting contracts, the contract value includes labor costs, raw material costs, equipment and machinery costs, tax and other fees incurred in association with the subcontracted work. For variable-price construction subcontracting contracts, the contract value is determined by a unit price and the total volume of actual work performed by the subcontractors.

- *Payment schedule.* In most cases, we make payments upon achieving key milestones set forth in our construction subcontracting contracts less 15% of each milestone payment, which is withheld by us until final inspection and acceptance of the construction project. After completion of the project, we settle accounts with the construction subcontractors where the remaining amounts from each milestone (save for the retention fee) are billed.

- *Warranty.* We generally withhold 5% of the total contract value as retention fees for a period of two to five years.

- *Liquidated damages*. Our construction subcontractors are subject to liquidated damages for each day they delay the schedule of our construction projects. We may be subject to liquidated damages for delays in due payment for the work of our construction subcontractors in accordance with contract terms. Our Directors advise that, during the Track Record Period and up to the Latest Practicable Date, we did not pay any liquidated damages to our construction subcontractors.

- *Termination.* In most cases, we are entitled to terminate the construction subcontracting contracts in the event that our construction subcontractors assign or subcontract the work without our prior permission, materially delay our project schedule, or cause certain of our licenses or certificates to be temporarily suspended as a result of their poor quality or safety accidents. Our construction subcontracting contracts are generally silent on the termination rights of the construction subcontractor. In this case, the construction subcontractor enjoys the termination rights afforded by PRC laws and regulations. See "Regulatory Overview – Other Laws and Regulations – Contract Law."

See "Risk Factors – Risk Factors Relating to Our Business and Industry – We have limited control over the quality, availability and performance of our construction subcontractors." for more information on the risks associated with construction subcontracting.

Labor Subcontracting

As is customary in the PRC construction industry, aside from personnel in our project management department, we do not employ our own construction labor force. During the Track Record Period, we entered into labor services contracts with Jujiang Labor and with other Independent Third Parties on a project-by-project basis to supply the labor force in our construction projects. Jujiang Labor was owned as to 100% by Jujiang Technology, a related party, until 15 August 2015, when Jujiang Technology sold its entire equity interest in Jujiang Labor for a consideration of RMB2.4 million, which was determined with reference to the net asset value of Jujiang Labor in the sum of RMB2.37 million as of 30 June 2015, to Shen Hong and Shen Jianguo, each an Independent Third Party now holding 50% equity interest in Jujiang Labor. See "History and Development – Our Corporate Development – Demerger." Our Directors believe that such transaction was conducted on normal commercial terms and the terms of such transaction were fair and reasonable.

We have maintained a long-term working relationship with Jujiang Labor and have established working relationships with other Independent Third Parties since 2014, whom we select primarily based on quality of service.

Key terms included in most of our labor services contracts are summarized as follows:

- *Responsibilities.* Our labor services contracts specify the particular construction services that the subcontracted workers are expected to provide. In most cases, the labor subcontracting agent is responsible for the tools, small-sized machinery and safety equipment needed on each construction project.

- *Quality and safety*. Our labor subcontracting agents are responsible for reworks and the associated costs if the quality of the subcontracted work fails to meet our quality standards. Generally, we are responsible for the overall management of the on-site personnel on our construction projects and setting the construction procedures and safety measures. The labor subcontracting agent is primarily responsible for complying with, and implementing our internal control policies, conducting training of the subcontracted workers and monitoring their adherence to our safety measures and procedures. Generally, we are not responsible for any safety accidents of our labor subcontracting agents on our construction projects under the following circumstances: (i) any safety accidents occurring outside of the construction site or after work hours; (ii) any safety accidents occurring as a result of a sudden onset of health problems of subcontracted workers; and (iii) any safety accidents occurring as a result of the labor subcontracting agent's non-compliance with our health and safety management procedures.

- *Liquidated damages*. Our labor subcontracting agents are subject to liquidated damages for each day they delay the schedule of our construction projects. We may be subject to liquidated damages for delays in due payment for the work of our labor subcontracting agents in accordance with contract terms. Our Directors advise that, during the Track Record Period and up to the Latest Practicable Date, we did not pay any liquidated damages to our labor subcontracting agents.

- *Subcontracting fees.* Most of our labor services contracts are prepared on a variable-price basis. The contract value is calculated by the unit price per square meter of construction and the gross floor area of construction. The unit price is determined based on market price at the time of entering the contract. Our contracts are on a variable-price basis because the amount of construction work may be adjusted during the course of the construction projects. However, we fix the unit price to limit our exposure to labor cost increases. We believe such pricing arrangement is the norm in our industry.

- *Payment schedule.* In most cases, we make monthly progress payments to our labor subcontracting agents, which is calculated as the percentage of completion applied to the total contract value, less approximately 30% which is withheld by us until final inspection and acceptance of the construction project.

- *Termination.* We are entitled to terminate the labor services contracts in the event that our labor subcontracting agents fail to complete the project, and our labor subcontracting agents will bear all economic losses arising from such termination. Our labor services contracts are generally silent on the termination rights of the labor subcontracting agent. In this case, the labor subcontracting agent enjoys the termination rights afforded by PRC laws and regulations. See "Regulatory Overview – Other Laws and Regulations – Contract Law."

We train our subcontracted workers on quality, occupational health and safety matters before commencement of each construction project. The project management team for each construction project oversees and manages the work and safety of our subcontracted workers. We intend to continue to engage Jujiang Labor as a labor subcontracting agent. At the same time, as we undertake more construction projects and grow our business, we intend to engage new labor subcontracting agents locally to ensure a steady supply of labor force and to lower our costs.

Payments to our labor subcontracting agents for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015 amounted to RMB852.9 million, RMB1,050.6 million, RMB1,147.1 million and RMB577.1 million, respectively, representing 27.5%, 27.1%, 28.3% and 28.4% of our cost of sales, respectively. Payments to Jujiang Labor, our largest labor subcontracting agent for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015 amounted to RMB766.8 million, RMB957.2 million, RMB1,018.7 million and RMB189.7 million, respectively, representing 24.7%, 24.7%, 25.1% and 9.3% of our cost of sales, respectively. Our Directors believe that the subcontracting arrangement with Jujiang Labor was conducted on an arm's length basis and at market price.

INVENTORY

Our inventory comprises raw materials, finished goods and spare parts and consumables. Due to the nature of our construction contracting business, which is different from a manufacturing business, we keep low inventory levels for our operations. For more information on our inventory levels, see "Financial Information – Managements' Discussion and Analysis of Financial Condition and Results of Operation – Selected Items of the Consolidated Statements of Financial Position – Inventories." We have implemented inventory policies to manage our inventory, including performing periodic audits and maintaining inventory ledgers.

QUALITY CONTROL AND MANAGEMENT

Stringent quality control is critical to our reputation and success. As such, we adopt comprehensive quality control measures to ensure the high quality of our construction contracting services. Our quality and safety department is responsible for the adoption of quality control measures and periodic inspections of our operations. The following is a summary of the key quality control measures we implement:

- *Inspection of raw materials*. We inspect raw materials in accordance with our quality standards and the specifications of our customers. We are typically required to provide a product certificate and obtain our customer's approval before using such raw materials in our construction projects;

- *Training*. We provide training to our project management teams and our subcontracted workers to ensure their understanding of, and compliance with, our quality standards on a monthly basis. In addition, our project management team also holds daily assemblies with our subcontracted workers to review construction safety measures and precautions;

- *Standardized construction*. We implement standardized construction methods and technologies in all of our construction projects. For large-scale and complex construction projects, we may set up construction process demonstration areas on project sites, where key standardized construction methods and processes are exhibited or detailed to ensure our compliance with such methods and processes;

- *Onsite inspections and rectification*. We conduct periodic inspections and spot checks on our construction projects, and require our personnel to implement immediate rectification measures if any quality control issues are identified. Upon rectification, we re-inspect the quality control issues to ensure that such issues have been resolved. As required by our customers, independent surveyors will conduct periodic inspections and spot inspections of our construction projects. Inspection results will be documented in a monthly report, setting forth an assessment of construction quality, our construction progress and targets for construction progress and construction quality in the next month;

- *Quality control review*. After the completion of each project and at the end of each quarter, we conduct a comprehensive review and analysis of any quality control issues. In addition, we survey our customers for feedback on an annual basis and after completion of each project to improve the quality of our services and products;

- *Subcontractors*. We require our construction subcontractors to fully abide by our quality control measures when performing work for our construction projects. For more information, see "– Subcontracting."

As of the Latest Practicable Date, our quality and safety department consisted of 175 personnel. Our key quality control personnel generally have five to ten years of experience and hold building construction quality inspector (土建質檢員) qualifications issued by the relevant governmental authorities. During the Track Record Period, we maintained ISO9001:2008 certificates for our construction contracting business and our Jiaxing Production Facility. During the Track Record Period, we did not experience any material quality issues or receive any material complaints about the quality of our construction projects or products. For more information on responsibilities of our quality and safety department relating to safety control, see "– Occupational Health and Safety."

OCCUPATIONAL HEALTH AND SAFETY

Our Safety Management System

We have in place stringent internal safety policies to ensure our safe operations and ensure our compliance with relevant PRC laws and regulations. Our quality and safety department, which is based at our headquarters, is responsible for overseeing our compliance with relevant PRC laws and regulations, conducting regular reviews and inspections of our safety performance, conducting review of any material accidents, and ensuring that we maintain the necessary licenses, approvals and permits to operate. We maintain GB/T28001-2011 certificates for our construction contracting business and our civil defense products manufacturing business. Such certificates have a validity period of three years. We first obtained the certificate for our construction contracting business on 2 April 2008, which was renewed on 25 April 2011 and most recently renewed such certificate on 24 April 2014. The GB/T28001-2011 certificate for our civil defense products manufacturing business is valid up to 16 December 2017. As advised by our PRC Legal Advisers, we did not encounter any difficulty in renewing such certificates regardless of the workplace accidents and safety incidents disclosed in this section of the Prospectus. Our quality and safety department also organizes accident prevention and management training sessions for our employees on a monthly basis and for our new employees on an as-needed basis.

For our construction contracting business, we implement a three-tier occupational health and safety management system. Our quality and safety department, the first tier, is responsible for formulating health and safety standards and reviewing project ledgers. Our branch offices, the second tier, oversee the construction projects within their respective jurisdictions and are primarily responsible for leading the meeting to instruct relevant personnel on technical requirements and safety procedures before commencement of a construction project, establishing and recording project ledgers, inspecting the management and safety of the construction project at least twice per month, and conducting review of any accidents. Our project management teams, the third tier, ensure that our subcontracted workers are adequately trained and has received the requisite licenses and certificates to conduct special operations. Our project management teams also draft construction plans and safety measures for approval by the second tier of our health and safety management system, address safety issues before commencing each work day, and conduct weekly safety inspections of our work and that of our subcontractors.

Our Accident Reporting System

Our occupational health and safety management system includes a reporting and record system for safety accidents on our construction sites. All safety accidents must be immediately reported to the responsible project management team, who reports the safety accident to our branch office and quality and safety department. Personnel from the responsible project management team are required to arrive on site immediately to oversee the handling of the safety accident. For any safety accident where the economic loss is equal to or greater than RMB200,000 or where there are any fatalities or major injuries, we will promptly submit a ledger of the safety accident to our branch office and quality and safety department. We will report the safety accident to the relevant government authority as required by PRC laws and regulations and cooperate with local government authorities to investigate such safety accident.

Specific Safety Rules and Procedures

We adopt specific measures to ensure the safety of our construction projects, including but not limited to the following measures:

Potential safety issues	Safety measures and requirements
Injury caused by falling objects and falling from height	All personnel are required to wear safety helmets when entering construction sites. In addition, workers working at height are required to wear safety belt and safety footwear.
Injury caused by operating heavy machinery	Only personnel with relevant licenses are permitted to operate construction machinery. Such personnel are required to strictly follow our standard procedures for operating different types of construction machinery. In addition, our rules also specify various safety measures which are required to be followed by our personnel, including, among others, ensuring that power is cut off before checking and cleaning the machinery and that operating construction machinery are properly attended to, and wearing safety gloves, goggles and earmuffs.
Injury caused by electric shock	Only personnel with the relevant licenses are permitted to maintain and install electric equipment. Such personnel are required to strictly follow our operating rules, including wearing safety gloves and safety footwear.
Injury caused by collapses	Our personnel are required to strictly follow our standard procedures for deep foundation excavation including assessing the stability of the soil. In case the deep foundation is unstable, all personnel must be evacuated and measures must be taken to prevent collapses.

Pursuant to *Provisions on the Administration of Construction Enterprises' Work Safety Permits*, we are required to meet a number of requirements, including but not limited to: (i) management personnel and the operators shall accept work safety education training; (ii) ensure that office areas and living quarters of the construction site and the construction operation space, safety appliances, machinery and equipment, construction machinery, tools and fittings comply with the relevant laws, regulations, standards and rules concerning work safety; and (iii) implement prevention and monitoring measures and emergency safety plan for construction works that are more dangerous and where serious accidents are more likely to occur.

Workplace Accidents Involving Personnel of Our Labor Subcontracting Agents

Our subcontracted workers had one general workplace accident on our construction projects in each of 2012 and 2013, which resulted in two and one fatalities of our subcontracted workers, respectively. The accident in 2012 was mainly a result of two workers who laid cement in violation of our safety policies, which caused the collapse of the support frame on which they stood. The accident in 2013 was mainly a result of a worker being struck by construction equipment when leaning out of a building structure in violation of our safety policies. As a result of the accident in 2012, our work safety permit was suspended for 60 days. As a result of the accident in 2013, our work safety permit was suspended for 60 days and our ability to bid for government-invested projects in Hangzhou was suspended for six months. We temporarily suspended the relevant construction project upon the suspension of our work safety permit. Our Directors confirm that the suspension of our work safety permit did not cause any material delays in the relevant construction project and did not have a material impact on our financial condition. In addition, we were not able to bid for any new construction projects while our work safety permits were suspended. We were not required to suspend our other construction projects when our work safety permit was suspended. During the Track Record Period, we generated less than 1% of our revenue from Hangzhou government-invested construction projects. Given that the percentage contribution to our revenue was very low and the government-invested construction projects in Hangzhou were not our focus, our Directors believe that the suspension of our ability to bid for government-invested projects in Hangzhou did not have a material impact on our financial performance. Our Directors confirm that, unless otherwise disclosed in this Prospectus, we did not have any material workplace accidents and fatalities during the Track Record Period and up to the Latest Practicable Date.

The relevant authorities responsible for the above two accidents indicated after inspection that the relevant construction sites mainly: (i) lacked training on quality and safety for our project management team and for our subcontracted labor; (ii) needed enhanced supervision of danger areas and enhanced safety measures; (iii) lacked attendance by project manager and safety personnel of our project management team and supervisors engaged by the project owner to monitor the construction project; and (iv) had subcontracted workers that failed to obtain the requisite qualifications before undertaking the specialized construction work. We have recovered our work safety permit and our ability to bid for government-invested projects at the end of the penalty period. See "Regulatory Overview – Construction Safety – Work Safety Accidents Regulations" for the categories of work safety accidents under PRC laws and regulations. In accordance with the relevant laws and regulations and as confirmed by ZHURD, such accidents are not considered as particularly significant, significant or relatively significant accidents under PRC laws and regulations, and we will not be penalized in the future for such accidents. As advised by our PRC Legal Advisers, ZHURD is the competent authority to issue such confirmation.

As advised by our PRC Legal Advisers, pursuant to the *Construction Law of the PRC* and *Notice of the General Office of the State Council on Issuing the Provisions on the Main Functions, Internal Bodies and Staffing of the Ministry of Housing and Urban-Rural Development* (國務院辦公廳關於印發住房和城鄉建設部主要職責內設機構和人員編製規定的通知), MOHURD is the competent construction administrative department under the State Council to exercise unified supervision and regulation over construction activities in China. According to the *Regulations on the Administration of Work Safety of Construction Projects*, the competent construction administrations under the PRC Government at the county level or above shall carry out supervision and administration of work safety of the construction projects within the relevant administrative areas. Our PRC Legal Advisers further advised that, according to *Notice of the People's government of Zhejiang Province on Issuing the Provisions on the Main Functions, Internal Bodies and Staffing of Department of Housing and Urban-Rural Development of Zhejiang Province* (浙江省人民政府辦公廳關於印發浙江省住房和城鄉建設廳主要職責內設機構和人員編製規定的通知), ZHURD is the competent construction administrative department in Zhejiang Province for the supervision and administration of work safety of construction projects. Moreover, we have not received any claims made against us in relation to such accidents. Our labor subcontracting agents were responsible for the workplace accidents and compensation to the worker's families. Our labor subcontracting agents compensated the workers' families in the amount of RMB2.0 million in total. While our PRC Legal Advisers have advised that we are not required to maintain accident insurance for our subcontracted workers, during the Track Record Period, certain of the accident insurance policies we obtained for our construction projects covered our subcontracted workers.

In response to the two workplace accidents, we suspended the entire construction project to conduct a comprehensive safety inspection. We prepared an inspection report and correction plan to address any safety issues discovered. In addition, we increased quality and safety training for our project management team and on-site personnel. After the implementation of our correction plan, we conducted a reexamination of the entire construction project and submitted our inspection report to the relevant government authorities. We also conducted internal inspections on all of our construction projects and performed spot inspections on 50% of our construction projects.

Other Safety Incidents

During the Track Record Period, we were subject to certain fines, public criticism or warnings in relation to certain safety incidents. For example, in 2012 we were criticized by public notice (通報批評) by local government authorities in Hangzhou for non-compliance with certain safety requirements for a construction project, including but not limited to those related to failure to build a concrete road on the construction site at the beginning of the construction project, the installation of certain construction equipment, the quality of certain of the construction materials. In 2013, we were fined RMB7,000 for using certain raw materials on a temporary structure that did not meet fire safety regulations. In 2013, we also received a warning from local government authorities in Taixing City for not executing certain supervisory orders of the relevant authorities and not having the project manager and safety personnel present at the construction site during the authority's spot check and for a part of the project period due to personal reasons of the project manager. In each case, we suspended construction to ensure that the safety incident is corrected and the relevant safety requirements are met.

Accident Rate Analysis

For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the accident rate on our construction projects was 1.16, 0.93, 0.55 and 0.18 workplace accidents for every 1,000 workers, respectively. Our accident rate equals the number of workplace accidents (including fractures and other injuries) during the relevant year or period divided by the annual average number of workers on our construction projects (including our project management personnel and subcontracted workers). Moreover, a table showing our Group's lost time injuries frequency rates ("LTIFR(s)")*(Note)* is set out below:

For the years ended 31 December	
2012	0.40
2013	0.33
2014	0.19
For the six months ended 30 June 2015	0.13

Note: LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the total labour hours worked per year to divide the number of recordable cases and multiply by 1,000,000. It is assumed that the working hours of each worker is 10 hours per day. The number of working days for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were approximately 290 days, 284 days, 291 days and 140 days, respectively.

Having considered the number of accidents and fatalities nationally and in Zhejiang Province from 2012 to 2014, our Directors believe that we did not have a high accident or fatality number during the Track Record Period because: (i) such accidents were one-off accidents of which we were not the primary responsible party; (ii) general accidents are the lowest level of work safety accidents as defined under the relevant PRC laws and regulations; (iii) other than those disclosed in this section of the Prospectus, we did not have any fatalities during the Track Record Period and up to the Latest Practicable Date; and (iv) the number of accidents is insignificant compared to the number of construction projects of approximately 670 we engaged in during the Track Record Period. See "Industry Overview – Construction Safety" for the number of construction-related accidents and deaths in China and Zhejiang Province. However, our business inherently involves safety concerns. See "Risk Factors – Risks Relating to Our Business and Industry – Our operations are subject to inherent operational risks and occupational hazards, which could cause us to incur substantial costs, damage to reputation and loss of future business."

Internal Control Measures to Prevent Future Accidents and Safety Incidents

The abovementioned workplace accidents occurred because of: (i) our subcontracted workers' low safety awareness; and (ii) our labor subcontracting agents' failure to closely monitor the implementation of safety measures and procedures set out by us. The abovementioned safety incidents occurred because of ineffective communication of our safety internal control policies to the project managers and safety personnel at the construction site. We have adopted certain internal control measures since the occurrence of such accidents and incidents. Our safety and operational manual has been updated and circulated to the on-site personnel to ensure that they are aware of our safety measures and requirements. Various training programs about workplace safety operations at the construction sites (including use of raw materials that meet safety regulations) have been provided to workers (including subcontracted workers) on our construction projects to increase their safety awareness since the relevant accidents occurred in 2012 and 2013. In addition, monthly and quarterly meetings are held to update our project manager and safety personnel with our safety internal control policies since the relevant accidents occurred in 2012 and 2013. Our project managers are strictly required and placed with greater responsibility to monitor workplace safety and ensure that workers for special work obtain the required qualification before operations. In particular, our project managers are required to hold safety meetings and conduct safety inspections of our construction projects on a weekly basis as compared to on a monthly basis before such incidents occurred. Moreover, our project managers will be subject to a penalty if it is found that on-site personnel are not wearing the required safety gear. Project managers may face demotion or discharge depending on the gravity of the safety issue.

We have engaged an internal control consultant to perform review procedures on our key procedures, systems and controls and to assist the Sponsor in assessing the adequacy of the internal controls of our Group for among others, compliance with relevant legal and regulatory requirements. Further, the internal control consultant reviewed the safety procedures, systems and controls and also performed construction site visits to verify the implementation of such safety procedures, systems and controls. Considering the causes of the workplace accidents and safety incidents, our Directors are of the view, and the internal control consultant concurs, that our Group's existing procedures, systems and controls in regard to construction safety are adequate and effective for preventing recurrence of workplace accidents and safety incidents.

View of our Directors and the Sole Sponsor

Our Directors are of the view and the Sole Sponsor concurs, having taken into account: (i) the nature of the workplace accidents and safety incidents and the extent of penalties imposed on us; (ii) the internal control measures we have implemented; (iii) there were no recurrences of workplace accidents and safety incidents since the occurrence of those disclosed in this section; and (iv) the workplace accidents and safety incidents arose despite our provision of safety trainings to the on-site personnel, that the safety measures in place are adequate and effective.

Considering that: (i) we have a three-tier occupational health and safety management system to monitor and implement our internal control measures; (ii) we have implemented the work safety internal control measures above; (iii) we have not received further administrative actions from the relevant government authorities; (iv) as a result of the enhanced internal control measures, we are able to satisfy the relevant safety requirements which we did not meet in the relevant construction sites indicated by the relevant authorities; (v) we have obtained confirmation that we will not be penalized in the future for the two workplace accidents; (vi) we have obtained confirmation by and conducted an interview with the relevant competent government authorities confirming that our work safety measures fulfill the relevant regulations and can effectively monitor and avoid the material accidents from recurrence; (vii) we also obtained confirmation from independent surveyors, with appropriate qualification as advised by our PRC Legal Advisers, on the appropriateness and effectiveness of work safety measures and that the measures can effectively avoid the material accidents from recurring; (viii) our internal control consultant confirms that we have enhanced internal control measures in place and there is no material deficiency in the design of such measures; and (ix) since the occurrence of the two workplace accidents discussed in this section of the Prospectus and up to the Latest Practicable Date, we did not have any other similar workplace accidents or fatalities on our construction projects, our Directors believe, and the Sole Sponsor concurs, that our enhanced internal control and safety measures in response to the abovementioned workplace accidents and safety incidents are sufficient and effective to prevent any future occurrence of workplace accidents and safety incidents. Our Directors further believe, and the Sole Sponsor concurs, that such workplace accidents and safety incidents do not and will not have a material and adverse impact on our business and results of operations or an impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

According to our PRC Legal Advisers, we were not subject to any material claims, lawsuits, penalties or disciplinary actions as a result of any workplace accidents and were in compliance with the relevant rules and regulations on health and safety as of the Latest Practicable Date. Our PRC Legal Advisers have advised us that our construction safety records were considered when obtaining the Premium Class Certificate and Engineering Design Certificate. Our PRC Legal Advisers have further advised us that the workplace accidents and safety incidents disclosed in this section of the Prospectus will not materially affect our ability to maintain and/or renew our material licenses, certificates and permits, and that there is no legal impediment for us to maintain and/or renew them.

Pursuant to the *Administration Rules on Extraction and Usage of Enterprise Safety Expenses* (企業安全生產費用提取和使用管理辦法), issued and effective on 14 February 2012, construction companies should make provision for safety expenses equal to 1.5% to 2.0% of the contract value of the construction project, depending on the type of project. The provisioned safety expenses shall be used for matters that are directly related to safety improvement. Our Directors confirm that we had complied with the rules regarding provision and usage of safety expenses as of the Latest Practicable Date.

ENVIRONMENTAL PROTECTION

We have established and implemented an environmental compliance system to specify various environmental protection procedures and measures and ensure our compliance with ISO14001:2004 standards and the relevant PRC laws and regulations. We have adopted corresponding environmental protection measures to ensure compliance with relevant laws and regulations, including noise control, air pollution control, as well as solid waste and waste water treatment. Set forth below is a summary of the standard environmental protection measures we implement:

Environmental matter	Measures
Noise control	• Use low-noise equipment and machinery • Inspect and maintain all equipment before use to be in compliance with permitted noise level • Undertake works in accordance with the permitted working hours as specified by PRC law

Environmental matter	Measures
Air pollution control	• Suppress dust particles on construction sites by use of water • Install dust screens as necessary • Lower dust and harmful particles generated on construction sites through use of construction techniques and equipment
Solid waste disposal	• Transport solid waste to landfills designated by local governments
Waste water treatment	• Use sedimentation tanks to reduce the suspended solids in the waste water before being discharged • Discharge rain and waste water separately

During the Track Record Period, we maintained ISO14001:2004 certifications for our construction contracting business and our Jiaxing Production Facility. See "Regulatory Overview – Administration of Environmental Protection of Construction Projects" for more details on the relevant environmental laws and regulations we are subject to. Our PRC Legal Advisers have advised us that: (i) we did not violate any national or local environmental laws and regulations during the Track Record Period that would materially and adversely affect our business operations; and (ii) we were not subject to any material environmental claims, lawsuits, penalties or disciplinary actions during the same period. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, our expenses in relation to environmental protection were RMB0.9 million, RMB0.9 million, RMB0.9 million and RMB0.2 million, respectively. We expect such expenses to be RMB0.8 million and RMB1.0 million for the six months ending 31 December 2015 and the year ending 31 December 2016, respectively.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as policies based on our assessment of our operational needs and industry practice. During the Track Record Period, in accordance with relevant PRC laws and regulations, we maintained personal accident insurance for our personnel onsite our construction projects. We also maintained insurance policies in respect of certain of our buildings covering losses due to fire, explosion, earthquake, typhoon, flood and certain other risks. We are also required by PRC social security laws and regulations to maintain mandatory social insurance policies for our employees and make contributions to mandatory social insurance fund for our employees. Consistent with customary practice in China, we did not carry any business interruption or litigation insurance policies, which are not mandatory according to the laws and regulations of the PRC. Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. In addition, as confirmed by our PRC Legal Advisers, save as disclosed in this section of the Prospectus, we had duly maintained all material insurance policies in compliance with the relevant PRC laws and regulations during the Track Record Period. See "Risk Factors – Risks Relating to Our Business and Industry – Our insurance policies may not be adequate to cover all risks of loss associated with our business operations." for more details. During the Track Record Period, we did not experience any material insurance disputes.

INTELLECTUAL PROPERTY

We rely on a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property. As of the Latest Practicable Date, we owned 45 trademarks in China, including our "巨匠建设," "巨匠建设集团," "巨匠集团," "巨匠" and "" trademarks. As of the Latest Practicable Date, we also owned 22 patents and two domain names in China. As of the same date, we had seven patent applications and 17 trademarks applications under review in China, as well as two trademark applications under review in Hong Kong. Details of our intellectual property rights are set forth in "Appendix VII – Statutory and General Information – Further Information about the Business – Intellectual Property Rights." We also possess proprietary information in connection with our operations, such as information relating to pricing, raw material procurement and construction methods. Such proprietary information is crucial to our business operations and the successful implementation of our strategies. As of the Latest Practicable Date, we were not aware of any infringement by us of any intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned by us. Further, during the Track Record Period, we were not involved in any disputes or proceedings concerning any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against us that had a material and adverse effect on our business.

EMPLOYEES

We believe that our long-term growth depends on the expertise, experience and development of our employees. The salaries and benefits of our employees depend primarily on their type of work, position, length of service with us and local market conditions. In order to improve our employees' skills and technical expertise, we provide regular training to our employees.

We mainly recruit through recruitment fairs and on-campus recruitment. As of the Latest Practicable Date, we had a total of 734 employees, of which 565, or 77.0%, were based in Jiaxing, and 169, or 23.0%, were based in other areas in Zhejiang Province and in other provinces and regions in China. The following table sets forth the number and breakdown of our full-time employees by function as of the Latest Practicable Date:

	Number of employees
Project management	329
Quality and safety	175
Administrative and management	106
Design, survey and consultancy	65
Sales and marketing	36
Finance	23
Total	**734**

For additional information on certain of our employees, see "Directors, Supervisors and Senior Management." We are required to make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for our employees in accordance with applicable PRC laws and regulations. During the Track Record Period, we did not make such contributions for all of our employees based on their actual income as required under PRC law. See "– Compliance and Legal Proceedings."

We have a labor union that protects our employees' rights, assists us in attaining the economic objectives of the Company, encourages employees to participate in management decisions and assists us in mediating disputes with union members. During the Track Record Period, we did not experience any material labor disputes with our employees, receive any complaints, notices or orders from relevant government authorities or third parties, or receive any claims from our employees relating to social insurance or housing provident funds.

PROPERTIES

Land

As of 30 June 2015, we owned land use rights to six parcels of land in China, with an aggregate area of 17,603.1 m^2. As advised by our PRC Legal Advisers, we are entitled to occupy and use those parcels of land within the scope of use specified in the land use right certificates. We use such land as offices, research and development facilities and staff residences.

Buildings and Facilities

Our headquarters are located at No. 669, Qingfeng South Road (South), Tongxiang City, Zhejiang Province, PRC. As of 30 June 2015, we owned nine buildings in China, with an aggregate gross floor area of 22,113.7 m^2. We possessed the building ownership certificates of these owned buildings.

As of 30 June 2015, we leased three buildings or facilities in China, with an aggregate gross floor area of 6,065.3 m^2, and we have duly registered the lease agreements with relevant regulatory authorities.

DTZ, an independent property valuer, valued our owned property interests at an amount of RMB119.2 million as of 31 October 2015. The text of the valuer's letter, summary of values and valuation certificates prepared by DTZ in connection with its valuation are set out in "Appendix III – Property Valuation Report" to this Prospectus.

INFORMATION TECHNOLOGY

Our information technology systems are critical to our operations, including contract management, safety and quality control, documentation management, production management, human resources and accounting and finance. Our information technology systems also support our key operation processes, including project management, procurement, aftermarket customer service, sales and marketing, and bidding. We utilize our information technology systems to improve the efficiency and quality of our services and strengthen our risk and financial management capabilities. From time to time, we procure new or upgrade existing information systems based on our business needs. During the Track Record Period, we did not suffer any major information technology system failures or related losses. However, we may face information technology risks arising from the improper performance or malfunction of our information technology systems on which our operations significantly rely. See "Risk Factors – Risks Relating to Our Business and Industry – We may experience failures in our information technology systems." for more information.

RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted, or expect to adopt before the Listing, a series of internal control policies designed to provide reliable financial reporting, avoid recurrence of non-compliance in the future and ensure compliance with applicable PRC laws and regulations. Our key internal control policies and measures include:

- *Audit Committee*. We have established an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee comprises three members, one of whom possesses extensive accounting and financial management experience. Our audit committee has also adopted its terms of references, which set out its duties and obligations for ensuring compliance with relevant regulatory requirements. For more information on our audit committee, see "Directors, Supervisors and Senior Management – Board Committees – Audit Committee."

- *Permits and licenses*. We will monitor the attainment and renewal of the licenses, approvals and permits necessary for our business operations and ensure that all relevant licenses, approvals and permits are renewed prior to their respective expiration dates.

- *Compliance with Listing Rules*. Our various internal control policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions and securities transactions by our Directors. Our Directors, Supervisors and senior management have attended trainings conducted by our legal advisers on the ongoing obligations, duties and responsibilities for a publicly listed company under the Companies Ordinance and the Listing Rules. We have also appointed Guotai Junan Capital Limited as our compliance adviser with effect from the Listing Date to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

- *Training*. Our Directors, senior management and key personnel in our finance department and project management department have attended training conducted by our PRC Legal Advisers on PRC Company Law and other relevant PRC laws and regulations, particularly those relating to the non-compliance incidents.

- *Operational management*. We have implemented and strictly adhered to a series of internal control policies governing the management of our procurement, finances, occupational health and safety management, construction projects and recovery of trade receivables. Our occupational health and safety internal control policies have been enhanced based on the workplace accidents, administrative actions, fines, public criticism and warnings we have received. See "– Occupational Health and Safety."

- *Bribery, corruption and other misconduct*. Our employee handbook regulates our employees' conduct with respect to conflicts of interest, bribery, corruption and other misconduct. We provide regular training for our employees to emphasize the importance of employees' conduct and refresh their knowledge on the reporting system on employees' misconduct. Moreover, training in connection with anti-bribery rules and regulations under the PRC laws from our PRC Legal Advisers will be arranged for our Board and senior management team to enhance their awareness of the effect and consequences of bribery. An effective whistle blowing policy is also in place to minimize the risk of fraudulent acts, criminal offences or wrongdoings occurring in the workplace.

- *Financial reporting management.* Our project management department prepares status reports for our projects on a monthly basis. We recognize our project revenue and costs based on the percentage of completion reported on our monthly status report after the review by our finance department. We discuss the reported percentage of completion with our customers or independent surveyors engaged by our customers on a quarterly basis for most of our projects under construction. Further, we obtain written confirmations from independent surveyors as to percentage of completion of our projects on a semi-annual basis. Further, we review and analyze our financial performance on a quarterly basis by comparing our performance to that of the previous quarter and the same quarter of the previous year.

- *Project management.* We implement internal control policies to ensure timely billing of our construction work in accordance with contract terms. We maintain a monthly record of completed projects and conduct internal control review of the settlement amount on such projects. Moreover, we regularly review our trade receivables balance and monitor collection of such receivables. We prepare actual-to-budget cost variance reports on a monthly basis in order to monitor actual expenses and budget cost for each project so as to determine any cost overruns. Should the cost incurred be over the cost budget, we will take corrective measures and revise our cost budgets.

- *Cash flows management.* We prepare cash flows budgets and performing variance analyses on a monthly basis. We closely monitor our liquidity position to ensure we have sufficient funds to meet obligations when they become due. In order to timely monitor operating cash flow and working capital sufficiency, we have implemented a budgeting and forecasting process. Our accounting manager is responsible for preparing the monthly cash flow forecast report, which includes the short-term receivable forecast, amounts of trade and other payables by aging, and outstanding and available banking facilities. Our Directors are responsible for reviewing an actual and budget variance analysis on a monthly basis for monitoring the cash inflow and outflow. Our Directors believe that we have sufficient measures in place to enable us to closely monitor the variances to our cost budget and prevent any significant cash flow shortfall in advance by taking necessary mitigating actions in a timely manner.

- *Management of construction contracting contracts not adjusted based on major raw material and labor cost fluctuations.* We implement a series of internal control policies to minimize risk exposure of construction contracting contracts which are not adjustable based on major raw material and labor cost fluctuations. We evaluate and enter into non-adjustable construction contracting contracts on a case-by-case basis. We endeavor to enter into non-adjustable construction contracting contracts only for those that have a relatively low contract sum of less than approximately RMB50 million and a short contract term of less than six months and involve relatively simple construction work. Our senior management is required to review the detailed construction plans, cost analysis and fee quotes from raw material suppliers and labor subcontracting agents before signing any non-adjustable construction contracting contracts. We normally enter into contracts for raw materials and/or with labor subcontracting agents promptly after signing non-adjustable construction contracting contracts to minimize fluctuations of raw material and/or labor costs. We will endeavor to enter into labor services contracts where the total contract cost is determined by a fixed unit price and the total amount of construction work performed. We will also endeavor to enter into favorable supply contracts with our raw materials suppliers. The total budget costs for such projects are reviewed by our management on a monthly basis and compared with actual costs incurred. Moreover, we review and monitor the progress of such projects on a monthly basis to avoid delay in completing such projects and our risk of exposure to cost fluctuations. See "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Description of Results of Operations – Cost of sales" for a discussion of the impact of cost fluctuations on our operations.

We have engaged an internal control consultant to conduct a review and follow-up review of our internal control policies and measures related to entity-level controls, compliance monitoring controls, finance and accounting procedures, project management procedures, cash management procedures, procurement and accounts payable procedures, inventory management procedures, accounts receivable procedures, human resources management procedures, fixed asset management procedures, and other general control measures, with a particular focus on the non-compliance incidents identified in "– Compliance and Legal Proceedings – Non-compliance" below. Our internal control consultant performed a review of our policies and documents relating to the non-compliance incidents. Pursuant to the review, our internal control consultant has recommended certain improvements to strengthen our corporate governance in order to prevent such non-compliance incidents in the future. We have adopted enhanced internal control measures as recommended by our internal control consultant in response to the recommendations and our internal control consultant has completed the follow-up procedures on our internal control system with regard to those actions taken by us.

Taking into account the nature and reasons for the non-compliance incidents, the written confirmations from relevant competent authorities and our enhanced internal control measures, our Directors are of the view that the enhanced internal control measures we have implemented are adequate and effective. In addition, our Directors and the Sole Sponsor believe that the non-compliance incidents do not have any impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and the suitability of the Company for listing under Rule 8.04 of the Listing Rules.

COMPLIANCE AND LEGAL PROCEEDINGS

Non-compliance

Except for the non-compliance incidents disclosed below, we are advised by our PRC Legal Advisers that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects.

Upon identification of the non-compliances incidents disclosed in this section of the Prospectus, we have taken steps to enhance our internal control measures to prevent recurrence of such non-compliances, in addition to the internal controls measures disclosed in "– Risk Management and Internal Control." In relation to such non-compliance incidents, the internal control consultant has reviewed and provided recommendations to our internal control designs for preventing their recurrence.

Non-compliance incidents	Reasons for the non-compliance incidents	Consequences of non-compliance incidents	Current status	Remedies and internal control measures
Systemic Inter-company borrowings non-compliance				
As advised by our PRC Legal Advisers, according to the Lending General Provisions, only financial institutions may legally engage in the loan business. During the Track Record Period, we were non-compliant with the Lending General Provisions issued by the PBOC by advancing loans to and borrowing from certain related parties and Independent Third Parties who are companies. During the Track Record Period, the Independent Third Parties to whom we advanced loans were mainly owned by individuals with business and/or personal relationships with our Directors and needed to supplement their working capital based on actual working capital needs. Such loans were not interest-bearing. During the Track Record Period, the Independent Third Parties from whom we borrowed loans were mainly owned by individuals with business and/or personal relationships with our Group and our Directors. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, our total inter-company borrowings advanced to related parties and Independent Third Parties amounted to RMB1,827.3 million, RMB1,224.0 million, RMB971.1 million and RMB864.6 million, respectively, and our total inter-company borrowings loaned from related parties and Independent Third Parties amounted to RMB319.5 million, RMB87.7 million, RMB228.4 million and RMB0.3 million, respectively. Of our inter-company borrowings, RMB807.3 million and RMB2.6 million were advanced to Independent Third Parties, respectively, for the years ended 31 December 2012 and 2013. For the years ended 31 December 2012, 2013 and 2014, RMB252.5 million, RMB46.3 million and RMB139.4 million were loaned from Independent Third Parties, respectively. As of 31 December 2012, 2013 and 2014, and 30 June 2015, our balance of inter-company borrowings advanced to related parties and Independent Third Parties amounted to RMB749.3 million, RMB491.2 million, RMB271.7 million and RMB8.4 million, respectively, and our balance of inter-company borrowings loaned from related parties and Independent Third Parties amounted to RMB280.4 million, RMB48.6 million, RMB1.3 million and RMB0.3 million, respectively. Of our balance of inter-company borrowings, RMB156.7 million, RMB52.2 million, and RMB2.4 million were advanced to Independent Third Parties, respectively, and RMB221.0 million, RMB44.3 million and RMB0.3 million were loaned from Independent Third Parties, respectively, as of 31 December 2012, 2013 and 2014. Save for the interest income of RMB12.1 million from loans advanced to our related parties in 2012, we did not have any interest income from inter-company borrowings during the Track Record Period. During the Track Record Period, we did not pay any interest in relation to our inter-company borrowings. The notional amount of interest income from our inter-company borrowings was approximately RMB19.8 million, RMB34.7 million, RMB21.4 million and RMB3.7 million for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. The notional amount of interest expense for our inter-company borrowings was approximately RMB10.2 million, RMB9.2 million, RMB1.4 million and RMB21,000 for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. Such notional amounts are calculated using the benchmark interest rates for short-term loans set by the PBOC for the relevant periods. We borrowed from Independent Third Parties as all of such inter-company borrowings were not interest-bearing and thus were more favorable than bank borrowings.	We were of the view that the Lending General Provisions promulgated in 1996 only applied to financial institutions rather than companies in construction industry due to our unfamiliarity with such rule.	We may face penalties for our non-compliance with the Lending General Provisions imposed by local governmental bodies, which may be one to five times the interest received from the inter-company borrowings. Such penalty could be from RMB12.1 million to RMB60.5 million for our inter-company borrowings for the year ended 31 December 2012. The loans between us and our related parties or Independent Third Parties who are companies may be prohibited. However, according to the *Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases* (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), effective on 1 September 2015, private lending contracts entered into between legal persons (法人) for purposes of production and operations are effective.	We ceased to engage in inter-company borrowings in late 2014 and all of our inter-company borrowings were settled on or before 19 August 2015. In accordance with PRC laws and regulations, the statute of limitations to penalize inter-company borrowings is two years. Our interest income was received in 2012, which is past the statute of limitations as of the Latest Practicable Date. During the Track Record Period and as of the Latest Practicable Date, we had not received any notice of claim or penalty in relation to the inter-company borrowings. Further, we conducted interviews with the China Banking Regulatory Commission Jiaxing Office Tongxiang Branch on this issue, where it confirmed they will not penalize us, our Shareholders, Directors or senior management for our inter-company borrowings during the Track Record Period. Moreover, we and our PRC Legal Advisers conducted an interview with the Tongxiang City Branch of PBOC (中國人民銀行桐鄉市支行) ("Tongxiang Branch"). We obtained confirmation from the Tongxiang Branch that it has not imposed penalties on local enterprises due to non-compliant inter-company loans since 2001. Our PRC Legal Advisers have advised us that such authorities are the competent authorities to give the relevant confirmation. Moreover, our Directors confirm that the reason for the inter-company borrowings was not to generate interest income, but to supplement our working capital and the working capital of certain related parties based on actual working capital needs. In addition, the Controlling Shareholders have entered into the Deed of Indemnity in favor of the Company with regard to any loss we may sustain as a result of such non-compliance. Upon consideration of the above, our Directors believe, and our PRC Legal Advisers confirm, that the likelihood that the competent authorities would impose penalties on us in this regard should be low. As such, we did not make any provisions for potential penalties in this regard.	Our PRC Legal Advisers have provided training sessions to our personnel on inter-company borrowings. We have also published internal corporate policies prohibiting our Group to engage in any lending activities with other companies. We have notified our departments and personnel that inter-company borrowings will not be approved and have proposed disciplinary actions for any breach of our policies. We will organize the relevant employees and senior management to attend periodic training seminars on the implementation of these policies so as to ensure that such policies are fully complied with.

Non-compliance incidents	Reasons for the non-compliance incidents	Consequences of non-compliance incidents	Current status	Remedies and internal control measures
Social insurance fund and housing provident fund				
During the Track Record Period, we did not make in full the social insurance fund and housing provident fund contributions using the employees' actual income as required under PRC law. We estimate the outstanding social insurance fund and housing provident fund contributions as of 30 June 2015 to be RMB3.9 million and RMB4.1 million, respectively.	Such non-compliance incidents were mainly caused by our designated human resources staff's unintended and inadvertent oversight of the relevant PRC laws and regulations, which requires full contribution in accordance with the employees' actual income instead of the local standard. In addition, some employees declined to make their social insurance fund and housing provident fund contributions based on their actual income, for which we would be required to make matching contributions.	According to the relevant PRC laws and regulations, in respect of outstanding social insurance contributions that accumulated during and after the Track Record Period, we may be liable to a late payment fee equal to 0.05% of the outstanding amount calculated daily from the date the relevant social insurance contributions became payable and, if we fail to make such payments in arrears, we may be liable to a fine of one to three times the amount of the outstanding contributions.	Our Directors confirm that we have made contributions in full using the employees' actual income in accordance with the relevant PRC laws and regulations since October 2015. We have obtained confirmations from the local social insurance authority and housing provident fund authority and such local authorities confirmed that no administrative penalty has been imposed on us and the authorities will not require us to repay the contribution shortfall.	We have established an internal control policy to manage our social insurance fund and housing provident fund contributions. In accordance with such internal control policy, our human resources department will prepare monthly reports of employee salary and contribution amount, and our finance department will review such report to enforce the policy and avoid future non-compliance.

Non-compliance incidents	Reasons for the non-compliance incidents	Consequences of non-compliance incidents	Current status	Remedies and internal control measures
		According to the relevant PRC laws and regulations, the relevant housing authorities may order us to pay the outstanding housing provident fund contributions within a prescribed time period. If the housing provident fund contributions are not made within such prescribed time period, we may be subject to an order from the relevant People's Court to make such payment. The maximum liability for our failure to make social insurance fund and housing provident fund contributions will be the amount of the outstanding contributions and the relevant charges or fines as determined above.	Our PRC Legal Advisers are of the opinion that the relevant written confirmations were issued by the competent authorities, it is unlikely that such confirmation will be challenged or revoked by higher-level authorities and the risk of our Group being pursued or penalized for historical non-compliance during the Track Record Period is remote. Upon consideration of the above and the fact that the Controlling Shareholders have entered into the Deed of Indemnity in favor of the Company with regard to any loss we may sustain as a result of such non-compliance, our Directors are of the view that such non-compliance will not have any material impact on the business operations of our Group and thus we have not made any provision for fines. However, we have a provision amount of RMB8.0 million for the outstanding contributions in relation to the social insurance fund and housing provident fund during the Track Record Period.	

Third-party Systemic Non-compliance Incidents

We have inadvertently been non-compliant with certain laws and regulations due to the failure of the project owners to present the relevant construction permits, the details of which are set forth below:

Third-party systemic non-compliance incidents	Reasons for the third-party systemic non-compliance incidents	Consequences of the third-party systemic non-compliance incidents	Current status	Remedies and internal control measures
During the Track Record Period, our project owners failed to present the relevant construction permits for approximately 70 projects. Among which approximately 32 incidents were past the statute of limitations of two years. All of such projects were completed before December 2014.	Due to our inability to persuade the relevant project owners to provide the construction permits or unintended and inadvertent oversight of the designated staff to keep proper records of such permits, we were unable to locate the relevant construction permits. Under related PRC laws and regulations, a construction project should not commence construction until obtaining the relevant construction permits. According to Article 7 of the *Construction Law of the PRC*, Article 13 of the *Regulation on the Quality Management of Construction Projects* and Article 2 of the *Measures for the Administration of Construction Permits for Construction Projects* (the "Measures"), our customers, the project owners, rather than us, are responsible for applying for and obtaining the construction permits. Although as advised by our PRC Legal Advisors, we as a construction enterprise do not have the duty or capacity to apply for and obtain such construction permits, we were engaged in approximately 70 projects where our customers did not duly present the construction permits before we commenced the construction during the Track Record Period.	According to the *Measures for the Administration of Construction Permits for Construction Projects*, we may be subject to a fine of up to RMB30,000 for each incident for commencing construction without the relevant construction permits. We were not fined for any of these third-party non-compliant incidents as we were not the responsible party to apply for the required construction permit.	As of 30 November 2015, approximately 29 of the approximately 70 incidents in which we could not locate the construction permit were obtained from our customers. Among the remaining projects, approximately 33 projects were past the statute of limitations of two years. The remaining incidents were within the relevant statute of limitations under PRC laws and regulations. Since December 2014, we strictly required project owners to provide the necessary construction permits before commencing construction of projects that needed such permits in accordance with our enhanced internal controls. We have obtained confirmations from, and our PRC Legal Advisers conducted interviews with, the competent authorities. Based on the interviews, during the Track Record Period and up to the date of the signed interview minutes, no such fines have been implemented against a contractor, including us, in Zhejiang Province for such type of the third-party non-compliant incidents. The Directors confirmed that the other non-compliance incidents: (i) were mainly due to the project owners' unwillingness to provide the relevant construction permit(s) or the unintended and inadvertent oversight of the designated staff; (ii) have not had or will not have in the future, whether individually or in aggregate, any material and adverse financial or operational impact on us; and (iii) did not involve any dishonesty, fraudulence or incompetency on the part of the Company or its Directors. Moreover, the Controlling Shareholders have entered into the Deed of Indemnity in favor of the Company with regard to any loss we may sustain as a result of such third-party non-compliant incidents.	In order to avoid any future third-party non-compliant incident in this regard that may subject us to fines, we have implemented the following internal control measures: (i) provide training to all our project managers regarding the legal requirements in relation to construction permits; (ii) conduct pre-construction review regarding necessary documentation, including those obtained by third-parties, such as the construction permit; and (iii) include an express provision in our contracts with project owners to ensure the availability of the construction permits. We will also reserve the right to refuse to commence the construction projects if the project owners do not present the valid construction permits.

Having taken into account that:

(a) as advised by our PRC Legal Advisors, we as a construction enterprise do not have the duty or capacity to apply for and obtain such construction permits which are the responsibility of the project owner and hence, we are not a subject to the third-party non-compliant incident;

(b) after becoming aware of the third-party non-compliant incidents and after considering the advice of our PRC Legal Advisors and internal control consultant, our Group has taken appropriate remedial and internal control measures;

(c) since December 2014, we had no recurrences of third-party non-compliant incidents of a similar type because we ensure that we are provided with the required construction permits before commencement of construction;

(d) our internal control consultant confirmed that effective and sufficient internal control procedures have been in place in order to prevent future occurrences of the third-party non-compliant incidents; and

(e) confirmations has been obtained from the relevant competent authorities and interviews have been conducted with competent authorities and our PRC Legal Advisors advised that no penalty has been imposed against a contractor including us for such type of the third-party non-compliant incidents, in Zhejiang Province and the risk of fines is remote;

our Directors are of the view, and the Sole Sponsor concurs, that the third-party non-compliant incidents do not reflect, in any material respect, negatively on the ability and tendency of our Company and on the character, integrity and experience of our Directors to operate in a compliant manner and therefore our Directors and the Sole Sponsor considers that such 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.

In view of: (i) the nature of such third-party non-compliant incidents and the internal controls measures and confirmations and interviews with relevant government authorities of third-party non-compliant incidents mentioned above; (ii) that our Directors have adopted preventative and internal control measures; (iii) the aforesaid third-party non-compliant incidents did not involve intentional misconduct, incompetence, lack of integrity or dishonesty on the part of our Directors; (iv) the training in relation to requirements on relevant law and regulations has been in place; and (v) there is no indication of our Directors lack the ability to operate business in fully compliant manner, our Directors are of the view, and the Sole Sponsor concurs, that the internal control measures are sufficient and can effectively prevent the recurrence of non-compliance incidents of the same nature.

Legal Proceedings

We may from time to time be involved in a number of legal proceedings in the ordinary course of our business. As of the Latest Practicable Date, we were involved in two outstanding lawsuits, details of which are summarised below:

- In September 2014, a claim was brought against us in the People's Court of Minhang District, Shanghai by a PRC company seeking RMB4.6 million in equipment rental payment from us. The claim arose because we did not pay certain rental fees charged to us by the PRC company for certain equipment. The case was under first trial as of the Latest Practicable Date. The RMB4.6 million in equipment rental expenses has been accrued under trade and bills payables as a liability in our financial statements in respect of this lawsuit.

- In January 2015, we brought a claim against a PRC company in the Intermediate People's Court of Jinhua City, Zhejiang Province for construction contracting service fees in the amount of RMB25.8 million and accrued interest of RMB6.3 million owed to us. The claim arose because our customer disagreed with us as to the settlement amount upon completion of the construction project. The case was under first trial as of the Latest Practicable Date. As the outcome of the dispute is uncertain, none of the revenue and/or other income in relation to the claimed amount of such construction project have been recognized in our financial statements.

The Controlling Shareholders have entered into the Deed of Indemnity in favor of the Company with regard to any costs, expenses and losses we may sustain and any claims, liabilities, penalties, fines and damages we may be subject to as a result of the litigations disclosed in this section. We are advised by our PRC Legal Advisers that, up to the Latest Practicable Date, except for the litigations disclosed in this section, there were no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors. We are further advised by our PRC Legal Advisers that such litigations would not, individually or in aggregate, have a material and adverse effect on our financial condition or results of operations. Moreover, our Directors confirm that the relevant financial exposures have been properly accounted for in our financial statements.

OVERVIEW

Immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Jujiang Holdings and Jujiang Equity Investment will effectively hold as to approximately 38.25% and 36.75% of the total issued share capital of the Company, respectively. Jujiang Holdings is held by Mr. Lv Yaoneng as to approximately 51.33% and eight other individual shareholders together as to approximately 48.67% as of the Latest Practicable Date. The highest shareholding of these eight individual shareholders in Jujiang Holdings is lower than 12%. Jujiang Equity Investment is owned by 164 individual shareholders together as to 100%. The highest shareholding of these 164 individual shareholders in Jujiang Equity Investment is lower than 14%. For details of shareholdings in Jujiang Holdings and Jujiang Equity Investment, see "History and Development." As such, Mr. Lv Yaoneng, Jujiang Holdings and Jujiang Equity Investment will continue to be our Controlling Shareholders after the Global Offering.

Jujiang Holdings was incorporated as a limited liability company on 18 August 2011 in accordance with the PRC laws. Jujiang Holdings and its other subsidiaries mainly engage in the business of, among others, property development and investment holding.

Jujiang Equity Investment was incorporated as a joint stock limited liability company on 19 August 2011 in accordance with the PRC laws. It mainly engages in the business of investment holding.

Jujiang Holdings and Jujiang Equity Investment are the shareholders of various entities (including the Company). For details of the business engaged by the various subsidiaries of Jujiang Holdings and Jujiang Equity Investment (excluding the Company), see "– Delineation of Business."

DELINEATION OF BUSINESS

Apart from our Group, our Controlling Shareholders (including Mr. Lv Yaoneng, Jujiang Holdings, Jujiang Equity Investment and their respective close associates) are currently conducting other businesses or holding interest directly or indirectly in certain companies, including the business of property development and investment holding.

As we are principally engaged in the construction contracting business and other businesses, namely our design, survey and consultancy business and civil defense products manufacturing business, while our Controlling Shareholders and their respective close associates outside our Group generate their revenue from investment holdings, sale of residential and commercial properties and other businesses, and none of such businesses is construction contracting business and our other businesses, our Directors are of the view that there is a clear delineation between the principal business and business model of the Company and those of the companies owned by our Controlling Shareholders. Therefore, none of the companies owned by our Controlling Shareholders or their respective close associates outside our Group would compete, or would be likely to compete, directly or indirectly, with our principal business and other businesses, which would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Non-Competition Agreement with the Company to the effect that they will not, and will procure their subsidiaries (other than our Group) and their close associate(s) (as appropriate) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in, our principal business and other businesses.

DIRECTORS' COMPETING INTERESTS

Save as disclosed in this Prospectus, none of the Controlling Shareholders, Directors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with our principal business and other businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION AGREEMENT

To ensure that competition will not exist in the future, our Controlling Shareholders have entered into Non-Competition Agreement with the Company to the effect that each of them will not, and will procure their subsidiaries (other than the Company) and their close associate(s) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in, our principal business and other businesses.

Non-competition

We entered into the Non-Competition Agreement with the Controlling Shareholders on 23 December 2015, under which the Controlling Shareholders agreed not to, and to procure their subsidiaries and respective close associate(s) (as appropriate) (other than our Group) not to, compete, either directly or indirectly, with our principal business and other businesses, namely our design, survey and consultancy business and civil defense products manufacturing business, and granted to our Group the option for new business opportunities, option for acquisitions and pre-emptive rights.

The Controlling Shareholders have further irrevocably undertaken in the Non-Competition Agreement that, during the term of the Non-Competition Agreement, they (as appropriate) will not, and will also procure their subsidiaries and respective close associate(s) (as appropriate) (other than our Group) not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with our principal business and other businesses. The foregoing restrictions are subject to the fact that the Company may waive certain new business opportunities pursuant to the terms and conditions under the Non-Competition Agreement.

The foregoing restrictions do not apply to: (i) the purchase by the Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate) for investment purpose of not more than 10% equity interest in other listed companies whose business competes or is likely to compete with our principal business and other businesses; or (ii) the holding by the

Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate) of not more than 10% equity interest in other companies whose business competes or is likely to compete with our principal business and other businesses, as a result of a debt restructuring of such companies (collectively referred to as “Investment Companies” for scenarios (i) and (ii)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which the Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate) are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interests of such Investment Companies are being held by the Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate).

Options for New Business Opportunities

The Controlling Shareholders have undertaken in the Non-Competition Agreement that, during the term of the Non-Competition Agreement, if the Controlling Shareholders and/or their subsidiaries and/or close associate(s) (as appropriate) (other than our Group) become aware of a business opportunity which competes, or may compete, directly or indirectly with our principal business and other businesses, the Controlling Shareholders will notify us in writing immediately and provide to us all information which is reasonably necessary for us to consider whether or not to engage in such business opportunity (“Offer Notice”). The Controlling Shareholders are also obliged to use their best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable. We are entitled to decide whether or not to take up such business opportunity within 30 Business Days from receiving the Offer Notice (subject to our request to extend the notice period of 30 Business Days), subject to compliance with the applicable requirements under the Listing Rules.

The Controlling Shareholders will use their best efforts to procure their respective subsidiaries and/or close associate(s) (as appropriate) (other than our Group) to offer to us an option to acquire any new business opportunity which competes, or is likely to compete, directly or indirectly with our principal business and other businesses according to the terms of the Non-Competition Agreement.

If we decide not to take up the new business opportunity for any reason or do not respond to the Controlling Shareholders and/or their subsidiaries and/or close associate(s) (as appropriate) within 30 Business Days from receiving the Offer Notice (subject to our request to extend the notice period of 30 Business Days), we should be deemed to have decided not to take up such new business opportunity, and the Controlling Shareholders and/or their subsidiaries and/or close associates (as appropriate) may operate such new business opportunity on their own.

Option for Acquisitions

In relation to any new business opportunity of the Controlling Shareholders referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, the Company and has been retained by the Controlling Shareholders or any of their subsidiaries or any of their close associate(s) (as appropriate) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business and other businesses, the

Controlling Shareholders have undertaken to grant us the option, which is exercisable at any time during the term of the Non-Competition Agreement, subject to applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part or all of the new business as described above, or to operate the new business as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive right, in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our option for acquisitions shall be subject to such third party rights. In this case, the Controlling Shareholders will use their best efforts to procure the third party to waive its pre-emptive right. As of the Latest Practicable Date, the Directors were not aware of any existing third parties' pre-emptive rights.

The Controlling Shareholders shall use their best efforts to procure their subsidiaries and/or close associate(s) (as appropriate) (other than our Group) to comply with the option granted to us by the Controlling Shareholders above. The consideration shall be determined following negotiation between the parties under the fair and reasonable principle based on the valuation conducted by a third party professional valuer (selected by both the Controlling Shareholders and us) and the mechanism and procedure provided by applicable laws and regulations.

Pre-emptive Right

The Controlling Shareholders have undertaken that, during the term of the Non-Competition Agreement, if they intend to transfer, sell, lease, license or otherwise permit to use, to a third party any new business opportunity of the Controlling Shareholders referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, the Company and has been retained by the Controlling Shareholders or any of their subsidiaries or any of their close associate(s) (as appropriate) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business and other businesses, the Controlling Shareholders or their subsidiaries or any of their close associate(s) (as appropriate) shall notify us by written notice ("Selling Notice") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by the Company. We shall reply to the Controlling Shareholders and/or their subsidiaries and/or their close associate(s) (as appropriate) within 30 Business Days after receiving the Selling Notice. The Controlling Shareholders and/or their subsidiaries and/or close associate(s) (as appropriate) (other than our Group) have undertaken that until they receive the reply from us, they shall not notify any third party of the intention to transfer, sell, lease or license the business. If the Company decides not to exercise its pre-emptive right or if the Company does not reply within the agreed time period, or if the Company does not accept the terms as set out in the Selling Notice and issues to the Controlling Shareholders a written notice within the agreed time period stating acceptable conditions which, however, are not acceptable to the Controlling Shareholders or their subsidiaries or any of their close associate(s) (as appropriate) following negotiation between the parties under the fair and reasonable principle, the Controlling Shareholders or their subsidiaries or any of their close associate(s) (as appropriate) are entitled to transfer the business to a third party pursuant to the terms stipulated in the Selling Notice.

The Controlling Shareholders shall procure their subsidiaries and close associate(s) (as appropriate) (other than our Group) to comply with the above pre-emptive right.

Decision-making as to Whether to Take Up the Options or Pre-emptive Right

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for new business opportunity or the option for acquisitions or our pre-emptive right. In assessing whether or not to exercise such option(s) or pre-emptive right, the independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our business and the legal, regulatory and contractual landscape and form their views based on the best interest of the Shareholders and the Company as a whole. Where necessary, our independent non-executive Directors will consider to engage an independent valuer to conduct evaluation. Our independent non-executive Directors are also entitled to engage a financial adviser, at the cost of the Company in this connection.

The Controlling Shareholders' Further Undertakings

Each of the Controlling Shareholders has further undertaken that:

(a) it will provide all information necessary for our independent non-executive Directors to review the Controlling Shareholders', their subsidiaries' and their close associate(s)' compliance with and enforcement of the Non-Competition Agreement;

(b) it consents to our disclosure of the decision made by the independent non-executive Directors in relation to the compliance with and enforcement of the Non-Competition Agreement in our annual report, or by way of announcement; and

(c) it will make a declaration to the Company and our independent non-executive Directors annually regarding its compliance with the Non-Competition Agreement for our disclosure in our annual report.

The Non-Competition Agreement will become effective upon Listing and remain in full force and be terminated upon the earlier of:

(a) the date when the Controlling Shareholders and their subsidiaries (other than the Company) and their close associate(s), directly and/or indirectly in aggregate hold less than 30% of our total issued share capital; or

(b) the date on which our H Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

Our PRC Legal Advisers are of the view that the Non-Competition Agreement does not violate any applicable PRC laws, and the Controlling Shareholders undertakings pursuant to the Non-Competition Agreement are valid and binding obligations of the Controlling Shareholders under PRC laws after the Non-Competition Agreement takes effect, and may be enforced by us in the People's Courts of the PRC thereafter.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures are expected to be adopted by the Company:

(a) our Directors will comply with our Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested;

(b) our independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the Non-Competition Agreement by our Controlling Shareholders. Our Controlling Shareholders have undertaken that they will and will procure their subsidiaries and their close associates to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment. The Company will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Non-Competition Agreement and other connected transaction agreements in our annual report;

(c) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any new business opportunities offered during the year. The Company will disclose such decisions and basis for them in our annual report or by way of announcement to the public;

(d) the Company will appoint a compliance adviser who shall provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws; and

(e) any transaction (if any) between (or proposed to be made between) the Company and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

INDEPENDENCE OF MANAGEMENT, FINANCIAL AND OPERATION

Having considered the following factors, our Directors are satisfied that the Company will be able to be operationally and financially independent from our Controlling Shareholders and their respective close associates (other than our Group):

Non-competition

Although there are certain businesses owned by our Controlling Shareholders as mentioned above in this section, none of our Controlling Shareholders or their respective close associates has any interest in a business which competes or is likely to compete, either directly or indirectly, with the Company's business. In addition, each of our Controlling Shareholders has executed the Non-Competition Agreement in favor of us. For details, see "– Non-Competition Agreement."

Management Independence

Our Board comprises six executive Directors and three independent non-executive Directors.

The following table sets forth a summary of the positions and roles held by our Directors, Supervisors and members of our senior management team within the Company, Jujiang Holdings and Jujiang Equity Investment as of the Latest Practicable Date:

Name	Position within the Company	Position within Jujiang Holdings and its subsidiaries	Position within Jujiang Equity Investment
Mr. Lv Yaoneng	Chairman, general manager, president and Executive Director	Chairman, Non-executive Director	None
Mr. Lv Dazhong	Executive Director and vice president	Non-executive Director	None
Mr. Li Jinyan	Executive Director and vice president	Non-executive Director	None
Mr. Lu Zhicheng	Executive Director	None	None

Name	Position within the Company	Position within Jujiang Holdings and its subsidiaries	Position within Jujiang Equity Investment
Mr. Shen Haiquan	Executive Director	None	Non-executive Director
Mr. Zheng Gang	Executive Director and vice president	None	Non-executive Director
Mr. Xu Guoqiang	Independent non-executive Director	None	None
Mr. Lin Tao	Independent non-executive Director	None	None
Mr. Wong Ka Wai	Independent non-executive Director	None	None
Mr. Shen Bingkun	Employee representative Supervisor	Supervisor	Supervisor
Mr. Zou Jiangtao	Employee representative Supervisor	None	None
Mr. Lv Zili	Supervisor	None	None
Mr. Chen Xiangjiang	Supervisor	None	None
Mr. Wang Shaolin	Vice president	Non-executive Director	None
Mr. Gao Xingwu	Chief engineer	Non-executive Director	None

Save as disclosed above, none of our Directors, Supervisors or members of the senior management holds any directorship or senior management position in Jujiang Holdings and Jujiang Equity Investment and/or their subsidiaries. Our executive Directors do not hold any executive role in Jujiang Holdings and Jujiang Equity Investment. The Company's management team is different from those of Jujiang Holdings and Jujiang Equity Investment. Therefore, there are sufficient non-overlapping Directors who are not executive managements of Jujiang Holdings and Jujiang Equity Investment and have relevant experience to ensure the proper functioning of the Board.

Mr. Lv Yaoneng, Mr. Lv Dazhong, Mr. Li Jinyan, Mr. Lu Zhicheng, Mr. Shen Haiquan and Mr. Zheng Gang are the executive Directors of our Company, and Mr. Lv Yaoneng is also the chairman, general manager and president of our Company. The executive Directors are in charge of our Group's day-to-day operations. They do not hold any executive positions or responsible for any day-to-day operations of Jujiang Holdings and Jujiang Equity Investment. The daily operations of our Group are assisted by our senior management (namely Mr. Lv Yaoneng, Mr. Lv Dazhong, Mr. Li Jinyan, Mr. Zheng Gang, Mr. Wang Shaolin and Mr. Gao Xingwu) who do not hold any executive role in Jujiang Holdings and Jujiang Equity Investment.

Despite the interest of the Controlling Shareholders in certain business outside the Company, we believe that our Directors, Supervisors and members of the senior management are able to perform their roles in the Company independently and that our Group is capable of managing our business independently from the Controlling Shareholders for the following reasons:

(a) each Director is aware of his fiduciary duties as a Director of the Company which requires, among other things, that he acts for the benefit and in the best interests of the Company and that he does not allow any conflict between his duties as a Director and his personal interest;

(b) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that in the event of conflicts of interest, such as consideration of resolutions in relation to transactions with the Controlling Shareholders and/or their subsidiaries, the Director(s) who is materially interested in any proposal to be voted upon in a Board meeting, will not be counted as part of quorum at the relevant Board meeting of the Company in respect of such transactions. Furthermore, when considering connected transactions, only our independent non-executive Directors will review the relevant transactions;

(c) the Directors who hold positions with the Controlling Shareholders involving their day-to-day management are our non-executive Directors only. They are not involved in the day-to-day management of the Company, but are primarily responsible for making decisions on matters such as formulation of our general development strategy and corporate operation strategy as members of the Board of Directors. The day-to-day operation of the Company is managed by our executive Directors and senior management team who have substantial experience; and

(d) our Board comprises nine Directors and three of them are independent non-executive Directors who represent not less than one-third of the members of the Board. This provides a balance between the number of interested Directors and independent non-executive Directors with a view to promoting the interests of the Company and our Shareholders as a whole. This is also in line with the requirement as set out in the Listing Rules.

Based on the above, our Directors believe that the Company is capable of maintaining management independence from the Controlling Shareholders.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to its own business needs. During the Track Record Period, we financed our operations through a combination of borrowings from banks, cash generated from our operations and capital contributions from our Shareholders. As of 30 June 2015, approximately RMB739,496,000 was owed to our Group by related parties, of which approximately RMB8,399,900 is of non-trade nature and RMB731,096,100 is of trade nature and approximately RMB81,413,000 was owed by our Group to the Group's related parties, of which approximately RMB279,000 is of non-trade nature and RMB81,134,000 is of trade nature, respectively. All amounts due from/to related parties which were non-trade in nature was fully settled prior to Listing, and other balances will be settled in accordance with the terms of relevant agreements. As of 30 June 2015, our bank borrowings of RMB573,830,000 was guaranteed and/or secured either directly or indirectly by our Controlling Shareholders and their respective close associates. Such guarantee and/or security provided by our Controlling Shareholders and their respective close associates for our bank borrowings were discharged prior to the Listing. In the circumstances, we believe we are capable of obtaining financing from third parties without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that the Company is capable of maintaining financial independence from the Controlling Shareholders.

Operational Independence

Our Group is in possession of all relevant licenses, production and operating facilities and technology relating to our business. Currently, our Group engages in our business independently, with the independent right to make operational decisions and implement such decisions. Our Group has an independent work force to carry out our operation and has not shared its operation team with our Controlling Shareholders' business outside the Company. Although during the Track Record Period, there have been certain transactions between us and the related parties, details of which are set out in Note 35 under Section II to the Accountants' Report set out as Appendix I to this Prospectus, our Directors have confirmed that these related party transactions, if trade-related, were conducted on fair and reasonable normal commercial terms. Save as disclosed in the section headed "Connected Transactions" below, none of the historical related party transactions with the connected persons as defined in the Listing Rules are expected to continue after the Listing.

Having considered that: (i) we have established our own organizational structure comprising individual departments and business and administrative units, each with specific areas of responsibilities; and (ii) our Group does not share our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their close associates, our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

We have entered into certain transactions with our connected persons which will continue following the Listing and will constitute continuing connected transactions within the meaning of the Listing Rules.

CONNECTED PERSONS

Jujiang Holdings

Jujiang Holdings mainly engages in the business of, amongst other things, property development and investment holding and it is also the shareholder of various subsidiaries (including the Company). For other businesses engaged by various subsidiaries of Jujiang Holdings, see "Relationship with Controlling Shareholders – Delineation of Business." As of the Latest Practicable Date, Jujiang Holdings was owned as to approximately 51.33% by Mr. Lv Yaoneng and approximately 48.67% by eight other individual shareholders.

Jujiang Holdings is our Controlling Shareholder. Accordingly, the following transactions between Jujiang Holdings on the one hand, and our Group, on the other hand, which will continue after the Listing, will constitute continuing connected transactions for our Group under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

The following table is a summary of our continuing connected transactions:

Nature of transaction	Applicable Hong Kong Listing Rules	Waiver sought	Proposed annual cap for the year ending 31 December		
			2015	**2016**	**2017**
			RMB million	*RMB million*	*RMB million*
Exempt continuing connected transactions					
Design, Survey and Consultancy Service Master Agreement	14A.76(1)	N/A	0.4	0.3	0.2
Non-exempt continuing connected transactions					
Construction Contracting Service Master Agreement	14A.35, 14A.36 and 14A.46	Waiver from the announcement, circular, and independent shareholders' approval requirements	511.7	180.2	–

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Design, Survey and Consultancy Service Master Agreement

Background

We, as service provider, expect to enter into a design, survey and consultancy service master agreement prior to the Listing ("Design, Survey and Consultancy Service Master Agreement") with Jujiang Holdings, for a term ending on 31 December 2017, pursuant to which Jujiang Holdings agreed to engage design, survey and consultancy service from our Group.

Reasons for the transactions

Taking into account that our Group has established a long-term relationship with Jujiang Holdings Group and has already provided design, survey and consultancy services to Jujiang Holdings Group since 15 May 2010, our Directors consider that it is in our Group's interests to continue our relationship with Jujiang Holdings Group and to provide design, survey and consultancy services to Jujiang Holdings Group upon the Listing.

Pricing policy

The construction design, survey and consultancy service fees payable by Jujiang Holdings Group to our Group under the Design, Survey and Consultancy Services Master Agreement were determined after arm's length negotiation between Jujiang Holdings Group and our Group. In order to ensure that the service fees we received for our provision of design, survey and consultancy services are fair and reasonable and in line with market practices, we will keep ourselves abreast of the prevailing fee level in the market and the market conditions. Further, before we provide any design, survey and consultancy service, we will also refer to the historical fees received from Independent Third Party customers for providing similar design, survey and consultancy services.

Historical transaction value

Jujiang Holdings Group commenced engaging design, survey and consultancy services from our Group since November 2010. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, the aggregate service fees paid by Jujiang Holdings Group for the design, survey and consultancy services provided by our Group were approximately RMB0.7 million, RMB1.4 million, RMB3.2 million and RMB3,000, respectively.

Annual caps

The annual cap amounts of the design, survey and consultancy service fees to be payable to our Group for the design, survey and consultancy services under the Design, Survey and Consultancy Service Master Agreement for the three years ending 31 December 2017 are as follows:

	Years ending 31 December		
	2015	**2016**	**2017**
	RMB million	*RMB million*	*RMB million*
Design, survey and consultancy service	0.4	0.3	0.2

Basis of annual caps

The above annual caps were mainly determined with reference to: (i) the historical design, survey and consultancy service fees paid to us by Jujiang Holdings Group; and (ii) the expected demand and fee level for design, survey and consultancy services.

Listing Rules implications

Given that the maximum annual transaction amounts under the Design, Survey and Consultancy Service Master Agreement are expected to be RMB0.4 million, RMB0.3 million and RMB0.2 million, respectively, for the three years ending 31 December 2017, which is below HK$3,000,000 and each of the applicable percentage ratios (other than the profits ratio) for such transaction for each of the three years ending 31 December 2017, is expected to be less than 5%, the transactions under the Design, Survey and Consultancy Service Master Agreement, which constitute de minimis continuing connected transactions after the Listing, will be exempted from reporting, annual review, announcement, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Construction Contracting Service Master Agreement

Background

We, as service provider, expect to enter into a construction contracting service master agreement prior to the Listing ("Construction Contracting Service Master Agreement") with Jujiang Holdings, for a term ending on 31 December 2016, pursuant to which Jujiang Holdings agreed to engage construction contracting services such as building construction, foundation work, curtain wall construction, building decoration and fire equipment installation from our Group.

Reasons for the transactions

Taking into account that our Group has already provided construction contracting services to Jujiang Holdings Group in the past and that provision of such services has offered stable and considerable profits to our Group historically, our Directors consider that it is in our Group's interests to continue our relationship with Jujiang Holdings and to provide construction contracting services to Jujiang Holdings Group upon the Listing.

Pricing policy

The construction contracting service fees payable by Jujiang Holdings Group to our Group under the Construction Contracting Service Master Agreement will be determined after arm's length negotiation between Jujiang Holdings Group and our Group. In order to ensure that the service fees we received for our provision of construction contracting services are fair and reasonable and in line with market practices, we will keep ourselves abreast of the prevailing fee level in market and the market conditions. Further, before we provide any construction contracting service, we will also refer to the historical fees received from third-party customers for providing similar construction contracting services.

Historical transaction value

Jujiang Holdings Group commenced engaging construction contracting services from our Group since January 2010. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, the aggregate service fees paid by Jujiang Holdings Group for the construction contracting services provided by our Group were approximately RMB274.6 million, RMB498.3 million, RMB367.7 million and RMB192.5 million, respectively.

According to Note 35 of Section II to the Accountants' Report set out as Appendix I to this Prospectus, for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, the aggregate services fees paid by the our Group's fellow subsidiaries and associate of fellow subsidiaries for the construction contracting services provided by us were approximately RMB379.1 million, RMB628.8 million, RMB388.5 million and RMB197.8 million, respectively. The difference between the historical transaction value of such connected transactions and the related party transactions is because the related party transactions disclosed in Note 35 of Section II to the Accountants' Report include transactions with associates of our Group's fellow subsidiaries in which our fellow subsidiaries hold less than 30% equity interest, in accordance with IFRS, whereas these transactions are not connected transactions under Chapter 14A of the Listing Rules.

Annual caps

The annual cap amounts of the construction contracting services fees to be payable to our Group for the construction contracting services under the Construction Contracting Service Master Agreement for the two years ending 31 December 2016 are as follows:

	Years ending 31 December	
	2015	**2016**
	RMB million	*RMB million*
Construction contracting services	511.7	180.2

The difference between the historical amounts and proposed annual caps is mainly because of the difference of the gross floor area ("GFA") of the construction projects requiring our provision of construction contracting services between the Track Record Period and the expected GFA for 2015 to 2016 which is determined by reference to the anticipated progress of the existing construction contracts signed by the Company with Jujiang Holdings Group (the "Existing Construction Contracts"). The total contract value of the Existing Construction Contracts covering the period from 2012 to 2016 amounted to approximately RMB1,832.5 million, and the aggregate outstanding contract value of the Existing Construction Contracts as at 30 June 2015 was approximately RMB499.4 million. The annual cap is based on: (i) expected transaction amount; (ii) the anticipated progress of the construction projects; and (iii) the respective estimated GFA involved during the Track Record Period and expected to be involved in the two years ending 31 December 2015 and 2016 under the Existing Construction Contracts. The details of the construction projects under the Existing Construction Contracts are as follows:

	Years ended 31 December			Six months ended 30 June	Years ending 31 December	
Project Name	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
	m^2	*m^2*	*m^2*	*m^2*	*m^2*	*m^2*
Jinding Court* (金鼎苑)	9,647	48,238	60,511	61,307	61,307	458
Jinse Mingmen* (金色名門)	–	–	54,436	58,420	74,782	32,362
Zhonghan Bianmao* (中韓邊貿)	–	–	80,361	74,993	89,135	–
Haina Mingren Yayuan* (海納名人雅苑)	57,092	32,513	3,024	9,518	9,518	–
Roma City* (羅馬都市)	10,280	62,941	54,803	16,000	28,894	41,539
Jujiang Sunshine Bay Model Flat* (巨匠陽光海灣樣板房)	–	–	1,440	960	4,800	3,360
Sunshine Bay Model Flat Hotel Clubhouse* (陽光海灣樣板房酒店會所)	–	–	7,800	9,800	21,450	9,750
Jingfu Jiayuan* (景福家園)	–	–	4,618	12,500	21,596	9,779
Fushun Paris City* (撫順巴黎都市)	80,000	100,000	10,000	10,000	10,000	–
Rongcheng • New World* (榮成 • 新天地)	–	9,000	3,750	20,000	41,250	36,000
Kechuang Centre Jujiang Kechuang Park* (科創中心巨匠科創園)	–	29,982	1,499	8,994	8,994	–
Binhai New District Yuhai Road Junction Section* (濱海新區玉海路連接段)	–	–	25,800	8,200	17,200	–
Haiyan Baike Shijia* (海鹽百可世家)	30,498	19,800	5,100	–	–	–
Zhongyang Building* (中央大廈)	3,600	3,500	500	–	–	–
Yisheng Ming Yuan* (義聖名苑)	23,578	27,500	3,000	–	–	–
Hong Wang Building* (宏望大廈)	1,560	1,650	400	–	–	–
Total	**216,255**	**355,124**	**317,042**	**290,692**	**388,926**	**133,248**

Basis of annual caps

The above annual caps were mainly determined with reference to: (i) the historical construction contracting service fees paid to us by Jujiang Holdings Group; (ii) the expected transaction amount; and (iii) our anticipated GFA of the construction projects requiring our provision of construction contracting services under the Existing Construction Contracts.

Listing Rules implications

Given that the annual transaction amounts under the Construction Contracting Service Master Agreement are expected to be approximately RMB511.7 million and RMB180.2 million, respectively, for the two years ending 31 December 2015 and 2016, at least one of the applicable percentage ratios under Chapter 14 of the Listing Rules, where applicable, in respect of the Construction Contracting Service Master Agreement, on an annual basis, is expected to be more than 5%, which constitutes continuing connected transactions after the Listing, and will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVERS

As the non-exempt continuing connected transactions will continue after the Listing on a recurring basis, the Directors consider that strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules would be burdensome and would add unnecessary administrative costs to our Company each time when such transactions arise. Therefore, our Company, pursuant to Rule 14A.105 of the Listing Rules, has applied to the Stock Exchange for and the Stock Exchange has agreed to grant a waiver to our Company from compliance with the announcement and independent shareholders' approval requirements, subject to the aggregate value of each of the non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount as stated above. It is possible that the Company may sign new construction contracts after the Listing, in which case the Company shall ensure compliance with the announcement, circular and independent shareholders' approval requirements if required under the Listing Rules.

Confirmation from Directors

The Directors (including the independent non-executive Directors) confirm that the above continuing connected transactions have been and will be entered into in the ordinary and usual course of our Group's business and are based on normal commercial terms or better that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the annual caps for each of the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation from the Sole Sponsor

The Sole Sponsor considers that:

(a) the above continuing connected transactions have been and will be entered in the ordinary and usual course of business of our Group on normal commercial terms or better that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(b) the annual caps set for the above continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BOARD OF DIRECTORS

The Board consists of nine Directors, including six executive Directors and three independent non-executive Directors. The functions and duties of the Board include but are not limited to: convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association. Each of our Directors has entered into a service contract with the Company.

The following table sets forth certain information of our Directors.

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Lv Yaoneng (呂耀能)	55	Chairman of the Board, executive Director and general manager	17 July 1996	17 July 1996	Corporate strategic planning and overall business development, management of the Company and decision making	Spouse of Mr. Wang Shaolin is sister of Mr. Lv Yaoneng
Mr. Lv Dazhong (呂達忠)	53	Executive Director	17 July 1996	17 July 1996	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations	None

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Li Jinyan (李錦燕)	39	Executive Director	6 September 2011	17 July 1996	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations	None
Mr. Lu Zhicheng (陸志城)	46	Executive Director	6 September 2011	17 July 1996	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations, in particular with regard to project management of the Company	None
Mr. Shen Haiquan (沈海泉)	42	Executive Director	6 September 2011	3 September 1999	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations, in particular with regard to project management of the Company	None

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Zheng Gang (鄭剛)	46	Executive Director	6 September 2011	11 October 2008	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations	None
Mr. Xu Guoqiang (徐國強)	43	Independent non-executive Director	19 August 2015	19 August 2015	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	None
Mr. Lin Tao (林濤)	41	Independent non-executive Director	19 August 2015	19 August 2015	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operation	None
Mr. Wong Ka Wai (王加威)	36	Independent non-executive Director	19 August 2015	19 August 2015	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operation	None

Executive Directors

Mr. Lv Yaoneng (呂耀能), aged 55, has been the chairman of the Board, executive Director and general manager of the Company since 17 July 1996, being the date of incorporation of the Company. He was also appointed as the president of the Company since December 2008. He is primarily responsible for corporate strategic planning and overall business development, management of the Company and decision making. The spouse of Mr. Wang Shaolin (王少林), one of the vice presidents of the Company, is the sister of Mr. Lv. Mr. Lv has over 31 years of experience in construction engineering industry. The previous working experience of Mr. Lv is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1976.12-1980.02	Qitang Commune Construction Agency* (騎塘公社建築社)	Construction	Construction worker (Mason)	Construction work on site
1980.03-1983.09	Qitang Commune Construction Agency* (騎塘公社建築社)	Construction	Person-in-charge for technical matters of team one	Design and budgeting matters
1983.10-1984.12	Qitang Commune Construction Agency* (騎塘公社建築社)	Construction	Deputy officer	Design and budgeting matters
1985.01-1987.02	Qitang Commune Construction Agency* (騎塘公社建築社)	Construction	Deputy officer and chief of production technology department	Design and budgeting matters
1987.03-1991.04	Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社)	Construction	Manager and person-in-charge for technical matters	Administration and management
1991.05-1996.06	Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司)	Construction	Vice chairman, general manager	Administration and management

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1996.07-2008.11	The Company	Construction contracting	Chairman, general manager and executive Director	Overall management of the Company's strategic development and daily operation
2008.12 to present	The Company	Construction contracting	Chairman, general manager, executive Director and president	Overall management of the Company's strategic development and daily operation

Mr. Lv Yaoneng was a director of Tongxiang City Qitang Asset Operation Head Office* (桐鄉市騎塘資產經營總公司), which was merged with Gaoqiao Town Asset Operation Head Office in around late 2001. Accordingly, Tongxiang City Qitang Asset Operation Head Office* had not conducted the annual examination and had been revoked.

Mr. Lv completed one-and-half-year studies and obtained a professional certificate (專業証書) in industrial and civil construction (工業及民用建築) from Zhejiang University* (浙江大學) in China in January 1995. Mr. Lv obtained a qualification certificate for senior economist (高級經濟師) issued by the Office of Personnel of Zhejiang Province* (浙江省人事廳) of the PRC in December 2006. Mr. Lv also obtained a qualification certificate for senior engineer in construction engineering management issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in March 2013.

Mr. Lv Dazhong (呂達忠), aged 53, has been an executive Director since 17 July 1996, being the date of incorporation of the Company. He was also appointed as the vice president of the Company since September 2009. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. Mr. Lv Dazhong has over 35 years of experience in construction engineering industry. The previous working experience of Mr. Lv Dazhong is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1979.09-1986.06	Qitang Commune Construction Agency* (騎塘公社建築社)	Construction	Construction worker (Mason)	Construction work on site
1986.07-1988.12	Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社)	Construction	Designer, cost engineer	Design and budgeting matters
1989.01-1992.12	Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社)	Construction	Deputy chief of operation department	Design and budgeting matters
1993.01-1996.07	Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司)	Construction	Deputy general manager	Operation management
1996.07-2009.09	The Company	Construction contracting	Deputy general manager and executive director	Operation management
2009.09 to present	The Company	Construction contracting	Deputy general manager, executive Director and vice president	Marketing management

Mr. Lv Dazhong completed two years part-time studies in industrial and civil construction (工業及民用建築) at Zhejiang University of Technology* (浙江工業大學) in China in June 2004. Mr. Lv Dazhong obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in November 1994. He also obtained a qualification certificate for senior economist (高級經濟師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in January 2010.

Mr. Li Jinyan (李錦燕), aged 39, has been an executive Director since 6 September 2011. He was also appointed as the vice president of the Company since September 2009. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. Mr. Li has over 20 years of experience in construction engineering industry. The working experience of Mr. Li is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1994.08-1995.07	Tongxiang City Qitang Construction Company* (桐鄉市騎塘建築工程公司)	Construction	Technician	Technical matters
1995.07-1996.07	Tongxiang City Qitang Construction Company* (桐鄉市騎塘建築工程公司)	Construction	Deputy chief of production technology department	Management of production and technology
1996.07-2001.04	The Company	Construction contracting	Deputy chief of production technology department	Management of production and technology
2001.04-2004.08	The Company	Construction contracting	Manager of production technology department	Management of production and technology
2004.09-2005.05	The Company	Construction contracting	Assistant to general manager and manager of production technology department	Management of production and technology
2005.06-2009.09	The Company	Construction contracting	Deputy general manager	Safety related matters and progress management
2009.09-2011.08	The Company	Construction contracting	Vice president	Production management
2011.09 to present	The Company	Construction contracting	Vice president and executive Director	Production management

Mr. Li completed five and half years studies in construction engineering at Tongji University* (同濟大學) in China in December 2000. Mr. Li also obtained a qualification certificate for senior engineer in construction engineering issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in February 2011.

Mr. Lu Zhicheng (陸志城), aged 46, has been an executive Director since 6 September 2011. He joined our Group as construction worker in July 1996 and was also appointed as the project manager of the Company since May 1998. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations, in particular with regard to project management of the Company. Mr. Lu has over 27 years of experience in construction engineering industry. The working experience of Mr. Lu is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1987.05-1989.05	Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社)	Construction	Cost engineer	Budgeting
1989.05-1995.05	Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社)	Construction	Data staff	Data management
1995.05-1996.07	Tongxiang City Qitang Construction Company* (桐鄉市騎塘建築工程公司)	Construction	Construction worker	Construction work on site
1996.07-1998.05	The Company	Construction contracting	Construction worker	Construction work on site
1998.05-2011.08	The Company	Construction contracting	Project manager	Operation management of construction projects
2011.09 to present	The Company	Construction contracting	Project manager and executive Director	Operation management of construction projects

Mr. Lu was an individual operator (個體經營者) of an individual industrial and commercial households (個體工商戶), Tongxiang City Wutong Guangdu Leisure Centre* (桐鄉市梧桐廣都休閒中心), which was voluntarily dissolved in accordance with PRC laws in around 2004 and an individual operator of an individual industrial and commercial households, Tongxiang City Wutong Difengyuan Hotel* (桐鄉市梧桐帝豐源大酒店), which was voluntarily dissolved in accordance with PRC laws in around 2015.

Mr. Lu completed two years studies in civil engineering at China University of Petroleum* (中國石油大學) in China in July 2006. He also obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in September 2009.

Mr. Shen Haiquan (沈海泉), aged 42, has been an executive Director since 6 September 2011. He joined our Group as construction worker in September 1999 and was also appointed as the project manager of the Company since July 2012. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations, in particular with regard to project management of the Company. Mr. Shen has over 15 years of experience in construction engineering industry. The working experience of Mr. Shen is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1999.09-2000.10	The Company	Construction contracting	Construction worker	Construction work on site
2000.10-2003.04	The Company	Construction contracting	Cost engineer	Budgeting
2003.04-2006.06	Jujiang Real Estate Development	Development and sales of real estate	Manager of engineering department	Management of quality, progress and fundings of construction projects
2006.06-2009.08	The Company	Construction contracting	Manager of operation department	Budgeting matters and tender management
2009.09-2011.07	The Company	Construction contracting	Assistant to the president	Marketing management
2011.07-2012.07	The Company	Construction contracting	Standing deputy general manager of sales management centre* (營銷管理中心常務副總經理) and executive Director (appointed in September 2011)	Marketing management
2012.07 to present	The Company	Construction contracting	Project manager and executive Director	Overall management of operation and project construction matters

Mr. Shen completed four years studies in industrial and civil construction (工業及民用建築) at Jiaxing College* (嘉興學院) in China in June 2004. He also completed two and half years studies via online distant learning in civil engineering at Wuhan University of Technology (武漢理工大學) in PRC in July 2011. Mr. Shen obtained a qualification certificate for senior engineer in construction issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in March 2013.

Mr. Zheng Gang (鄭剛), aged 46, has been an executive Director since 6 September 2011. He joined our Group as director of technology centre in October 2008 and was also appointed as the vice president of the Company since July 2011. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. Mr. Zheng has over 27 years of experience in construction engineering industry. The working experience of Mr. Zheng is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1988.08-1992.08	Jiaxing City Construction Installation Engineering Company Factory* (嘉興市建築安裝工程公司預製廠)	Production of construction equipment components	Technician	Technology management
1992.09-1999.12	Zhejiang Jiaxing Construction Installation Company Ltd.* (浙江嘉興建築安裝有限公司)	Engineering testing	Director of testing room	Technology management
2001.01-2003.04	Zhejiang Zhongyuan Construction Company Ltd.* (浙江中元建設股份有限公司)	Engineering testing	Director of testing centre	Technology management

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
2003.05-2006.10	Jiaxing City Zhongyuan Engineering Inspection Company Ltd.* (嘉興市中元工程檢驗有限責任公司)	Engineering testing	Manager	Overall management of the company's development and daily operation
2006.11-2008.03	Jiaxing City Zhongxu Engineering Inspection Company Ltd.* (嘉興市中旭工程檢驗有限責任公司)	Engineering testing	General manager	Overall management of the company's strategic development and daily operation
2008.04-2008.09	Jiaxing City Chunqiu Construction Engineering Inspection Company Ltd.* (嘉興市春秋建設工程檢測有限責任公司)	Engineering testing	General manager	Overall management of the company's strategic development and daily operation
2008.10-2009.09	The Company	Construction contracting	Director of technology centre	Technology management
2009.09-2011.07	The Company	Construction contracting	General manager of technology centre	Technology management
2011.07 to present	The Company	Construction contracting	Vice president and general manager of technology center and executive Director (appointed in September 2011)	Technology management

Mr. Zheng was a director of Jiaxing City Zhongxu Construction Examination Company Limited* (嘉興市中旭工程檢驗有限責任公司), which was voluntarily dissolved in accordance with PRC laws in around 2008.

Mr. Zheng completed two years studies in materials science and engineering majoring in building materials at Tongji University* (同濟大學) in China in July 1988. He also completed five and half years studies in industrial and civil construction (工業與民用建築) at Tongji University* (同濟大學) in China in December 1999. Mr. Zheng obtained a qualification certificate for senior engineer of professor grade in construction (建築施工專業教授級高級工程師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in April 2015.

Independent Non-executive Directors

Mr. Xu Guoqiang (徐國強), aged 43, has been an independent non-executive Director since 19 August 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. Mr. Xu has approximately 15 years of experience in the legal field. The working experience of Mr. Xu is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1994.08-1999.04	The Agricultural Bank of China (Zhejiang Province Tongxiang City branch) (中國農業銀行浙江省桐鄉市支行)	Bank	Staff of credit card department, finance department and loan department	Compliance matters in relation to Credit Card and loan transactions and other legal matters
2000.06-2000.12	Zhejiang Baijia Law Firm* (浙江百家律師事務所)	Law firm	Lawyer	Legal matters
2001.01 to present	Zhejiang Zhongrui Law Firm* (浙江中銳律師事務所)	Law firm	Lawyer	Legal matters

Mr. Xu holds a bachelor's degree in law majoring in economic law from Hangzhou University* (杭州大學) in China in July 1994. He also holds a master's degree in law from East China University of Political Science and Law* (華東政法大學) in China in December 2010. Mr. Xu is a member of the All China Lawyers Association (中華全國律師協會) since October 1999.

Mr. Lin Tao (林濤), aged 41, has been an independent non-executive Director since 19 August 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. Mr. Lin Tao has over 14 years of experience in the construction education. The working experience of Mr. Lin is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1997.07-1998.08	Ningbo Institute of Construction Design Company Ltd.* (寧波建築設計研究院有限公司)	Construction design	Assistant architect	Construction design matters for construction projects
2001.04-2001.05	Zhejiang University* (浙江大學) Faculty of Construction	University	Lecturer	Teaching
2001.05 to present	Zhejiang University* (浙江大學) Faculty of Construction	University	Lecturer and assistant officer of faculty	Teaching and faculty management matters

Mr. Lin Tao completed a bachelor's degree and a master degree in construction (建築學), and a doctoral degree in architectural design from Zhejiang University* (浙江大學) in the PRC in June 1997, March 2001 and June 2012, respectively. He was accredited as a class one registered architect by the Office of Personnel of Zhejiang Province* (浙江省人事廳) in September 2004. He is also a member of the Planning and Design Professional Committee* (規劃設計專業委員會) under the Zhejiang Province Village and Town Construction and Development Research Association* (浙江省村鎮建設與發展研究會) since August 2015.

Mr. Wong Ka Wai (王加威), aged 36, has been an independent non-executive Director since 19 August 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. Mr. Wong Ka Wai has worked in various accounting firms for over seven years. The working experience of Mr. Wong Ka Wai is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
2001.09-2004.05	KPMG (畢馬威會計師事務所)	Accountancy firm	Tax Consultant	Advisory matters in relation to individual income tax
2005.04-2006.07	KPMG (畢馬威會計師事務所)	Accountancy firm	Tax Consultant	Advisory matters in relation to individual income tax
2006.07-2008.01	Ernst & Young Tax Services Limited (安永稅務及諮詢有限公司)	Accountancy firm	Senior Accountant of Tax department	Advisory matters in relation to individual income tax, corporate tax planning matters, management of and overseeing individual income tax return matters of four PRC offices of the firm
2008.01-2010.05	Ernst & Young Business Services Ltd.	Accountancy firm	Manager	Advisory matters in relation to individual income tax, corporate tax planning matters Management of and overseeing individual income tax return matters of four PRC offices of the firm Preparation of budget of the department Financial performance analysis and review Risk management matters

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
2010.11-2011.09	BASF East Asia Regional Headquarters Ltd. (巴斯夫東亞地區總部有限公司)	Chemical Producer	Manager	Global tax matters in relation to senior management staff Coordination of global professional services providers Preparation of budget of the firm Risk management matters
2011.11-2012.12	PwC International Assignment Services (S) Pte Ltd	Accountancy firm	Manager of Individual Tax Business Unit	Advisory matters in relation to individual income tax, tax planning matters Risk management matters
2013.01 to present	Jai Dam Distribution (Hong Kong) Co. Ltd.	Sales of garment and jewelry	Chairman	Business development and brand management as well as management of sub-distributors in Beijing and Shanghai Overseeing finance and accounting matters

Mr. Wong Ka Wai was a director of a private company, MasterKids (HK) Company Limited, which was incorporated in Hong Kong but did not carry out any business. This company was dissolved by striking off on 26 September 2014 for not filing annual return to the Companies Registry within the prescribed time. According to Mr. Wong, the said company was solvent and dormant at the time of it being struck off.

Mr. Wong Ka Wai obtained a bachelor's degree of business administration in accountancy from the City University of Hong Kong in November 2001. He was admitted as a member of the Association of Chartered Certified Accountants (the "ACCA") in 2009.

BOARD OF SUPERVISORS

The Board of Supervisors consists of four Supervisors, comprising two representatives of employees and two external supervisors. Except for the employee representative Supervisors elected by employees, the Supervisors were elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment. The functions and duties of the Board of Supervisors include reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board; and if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the financial activities of the Company, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association. Each of the Supervisors has entered into a service contract with our Group.

The following table sets forth certain information of our Supervisors.

Name	Age	Position	Date of Appointment	Date of Joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Shen Bingkun (沈炳坤)	69	Employee representative Supervisor	6 September 2011	17 July 1996	Supervising our operational and financial activities	None
Mr. Zou Jiangtao (鄒江滔)	38	Employee representative Supervisor	25 December 2014	27 November 2000	Supervising our operational and financial activities	None
Mr. Lv Zili (呂自力)	52	External Supervisor	19 August 2015	19 August 2015	Supervising our operational and financial activities	None
Mr. Chen Xiangjiang (陳祥江)	56	External Supervisor	19 August 2015	19 August 2015	Supervising our operational and financial activities	None

Mr. Shen Bingkun (沈炳坤), aged 69, has joined the Company as a Supervisor since 6 September 2011. Mr. Shen Bingkun joined the Company as manager of finance department on 17 July 1996, being the date of incorporation of the Company. The working experience of Mr. Shen Bingkun is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1969.09-1979.12	Qitang Commune Construction Agency* (騎塘公社建築社)	Construction	Cashier, accountant	Financial matters
1980.01-1992.06	Qitang Commune Construction Agency* (騎塘公社建築社)	Construction	Accountant, chief of finance department	Financial management and auditing
1992.07-1996.07	Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司)	Construction	Manager of finance department	Financial management
1996.07-2002.06	The Company	Construction contracting	Manager of finance department	Financial management
2002.07-2011.06	The Company	Construction contracting	Finance manager, assistant to the president	Administrative and financial management
2011.07 to present	The Company	Construction contracting	Consultant	Administrative matters, consultancy

Mr. Shen Bingkun completed two years part-time studies in accountancy at Zhejiang Radio & Television University* (浙江廣播電視大學) in June 1993. Mr. Shen Bingkun also obtained a qualification certificate for accountant issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in November 1994.

Mr. Zou Jiangtao (鄒江滔), aged 38, has joined the Company as deputy manager of technology department in November 2011 and was appointed as a employee representative Supervisor since 25 December 2014. The working experience of Mr. Zou Jiangtao is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
2000.11-2006.12	The Company	Construction contracting	Technician, deputy manager of technology department	Technology management
2007.01-2007.12	The Company	Construction contracting	Manager of the technology and quality department	Technology management and quality management
2008.01-2011.08	The Company	Construction contracting	Manager of the technology and quality department	Technology management
2011.08 to present	The Company	Construction contracting	Manager of the Anhui branch office	Production management and operation management

Mr. Zou Jiangtao completed four years studies in civil engineering at Zhuzhou Institute of Technology* (株洲工學院) in July 2000. Mr. Zou Jiangtao also obtained a qualification certificate for senior engineer in construction engineering issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in February 2011.

Mr. Lv Zili (呂自力), aged 52, has joined our Company as an external Supervisor since 19 August 2015. The working experience of Mr. Lv Zili is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1990.01-2010.05	Tongxiang City Qitang Silk Industry Co. Ltd.* (桐鄉市騎塘絲業有限公司) (formerly known as Qitang Silk Factory* (騎塘絲廠))	Manufacturing of silk products	Head of factory	Management of the operation of the company
2010.06 to present	Tongxiang City Qitang Silk Industry Co. Ltd.* (桐鄉市騎塘絲業有限公司) (formerly known as Qitang Silk Factory* (騎塘絲廠))	Manufacturing of silk products	General manager	Management of the operation of the company

Mr. Lv Zili was a director of Jiaxing City Gengxin Silk Company Limited* (嘉興市更新絲綢有限公司), which ceased to conduct business in around 2012. Accordingly, Jiaxing City Gengxin Silk Company Limited* had not conducted the annual examination and had been revoked in 2013.

Mr. Lv Zili completed two-year studies in industrial and corporate management (工業企業管理) from Zhejiang Radio and Television University* (浙江廣播電視大學) in China in July 1988. He also obtained a qualification certificate for economist (經濟師) issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in November 1994.

Mr. Chen Xiangjiang (陳祥江), aged 56, has joined our Company as an external Supervisor since 19 August 2015. The working experience of Mr. Chen Xiangjiang is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1991.01-1998.10	Zhejiang Longchang Leather Group Co., Ltd* (浙江龍昌皮革集團有限責任公司)	Manufacturing of leather products	Head of factory	Management of the operation of the factory
1998.10 to present	Zhejiang Xianglong Leather Co., Ltd. (浙江祥隆皮革有限公司)	Manufacturing of leather products	General manager	Management of the operation of the company

Mr. Chen Xiangjiang was a director of Jiaxing Aolong Apparel Company Limited* (嘉興澳隆服裝有限公司), the business of which was acquired by another company in around 2005. Accordingly, Jiaxing Aolong Apparel Company Limited* had not conducted the annual examination and had been revoked.

Mr. Chen Xiangjiang completed secondary school at Nanri Secondary School* (南日中學) in PRC in 1975.

Save as disclosed in this section, each of our Directors and the Supervisors has not been a director of any other publicly listed company during the three years preceding the date of this Prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and the Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) (h) to (v) or paragraph 41(3) of Appendix 1A of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth certain information of the members of the senior management of the Company.

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Lv Yaoneng (呂耀能)	55	President	18 December 2008	17 July 1996	Corporate strategic planning and overall business development, management of the Company and decision making	Spouse of Mr. Wang Shaolin is sister of Mr. Lv
Mr. Lv Dazhong (呂達忠)	53	Vice president	15 September 2009	17 July 1996	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations	None
Mr. Li Jinyan (李錦燕)	39	Vice president	15 September 2009	17 July 1996	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations	None

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Zheng Gang (鄭剛)	46	Vice president	26 July 2011	11 October 2008	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations	None
Mr. Wang Shaolin (王少林)	53	Vice president	15 September 2009	17 July 1996	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations	Spouse of Mr. Wang Shaolin is sister of Mr. Lv
Mr. Gao Xingwu (高興武)	54	Chief engineer	3 September 2001	7 June 2001	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations and responsible for the management of the engineering department	None

For biographical details of Mr. Lv Yaoneng (呂耀能), Mr. Lv Dazhong (呂達忠), Mr. Li Jinyan (李錦燕) and Mr. Zheng Gang (鄭剛), see "– Board of Directors – Executive Directors."

Mr. Wang Shaolin (王少林), aged 53, has been our vice president since 15 September 2009. The working experience of Mr. Wang is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1996.07-2006.12	The Company	Construction contracting	Manager of decoration company	Management of operation of decoration company
2007.01-2009.09	The Company	Construction contracting	Deputy general manager	Management of branch company (分公司), project company (項目公司), and special purpose company (專業公司)
2009.09 to present	The Company	Construction contracting	Vice president	Management of purchase, supply, labor and equipment matters

Mr. Wang completed two years studies via online distant learning in civil engineering at China University of Geosciences* (中國地質大學) in China in January 2007. Mr. Wang obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in April 2004. Mr. Wang also obtained a qualification certificate for senior economist (高級經濟師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in January 2011.

Mr. Gao Xingwu (高興武), aged 54, has been our chief engineer since 3 September 2001. The working experience of Mr. Gao is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
1983.04-1985.07	China National Aero-Technology 2nd Company Jordan Project Team One* (中航技二公司(約旦王國工程)一隊)	Import and export of the aviation technology and products	Technician	Technical work
1989.08-1995.12	Shanghai Branch of China Nuclear Industry 22nd Construction Co., Ltd (中國核工業第二二建設公司上海分公司)	Contracting of building construction	Deputy chief engineer and promoted to chief engineer subsequently	Civil engineering technology related matters
1996.01-2000.10	China Nuclear Industry 22nd Construction Co., Ltd Qinshan Nuclear Project (Phase 2) Team* (中國核工業第二二建設公司秦山核電二期項目核島隊)	Contracting of building construction	Chief project engineer	Civil engineering technology related matters
2000.11-2001.08	China Nuclear Industry 22nd Construction Co., Ltd Hebei Hengshui City Huachang Hotel Project Division* (中國核工業第二二建設公司河北衡水市華昌大酒店項目部)	Contracting of building construction	Chief project engineer	Civil engineering technology related matters
2001.09 to present	The Company	Construction contracting	Chief engineer	Technology management matters

Mr. Gao completed four years studies in civil engineering majoring in industrial and civil construction (工業及民用建築) at Zhejiang University* (浙江大學) in China in June 1993. Mr. Gao also completed two years studies in economics management at Party School of the Central Committee of the Communist Party of China* (中共中央黨校) in December 2004.

Save as disclosed in this section, each of our senior management has not been a director of any other publicly listed company during the three years preceding the date of this Prospectus.

JOINT COMPANY SECRETARIES

Mr. Hong Kam Le (康錦里) and **Mr. Zhong Zhihua (鍾志華)** are our joint company secretaries.

Mr. Hong Kam Le (康錦里), aged 36, has been our joint company secretary since 2 September 2015. He has more than seven years' experience in legal professional industry and is currently a senior associate of Li & Partners which is also the Company's legal advisers as to Hong Kong laws in the Global Offering. Prior to joining Li & Partners as an associate solicitor in June 2010, he worked at another Hong Kong law firm and was mainly involved in commercial and corporate matters. Mr. Hong also acts as the company secretary and authorized representative of Shengli Oil & Gas Pipe Holdings Limited (stock code: 1080) since December 2013.

Mr. Hong obtained a Bachelor of Commerce and a Bachelor of Laws Degrees from the University of Sydney in June 2003 and May 2004, respectively and a Postgraduate Certificate in Laws from the University of Hong Kong in June 2005. Mr. Hong was admitted as a solicitor of the High Court of Hong Kong in September 2007.

Mr. Zhong Zhihua (鍾志華), aged 38, one of the joint company secretaries of our Company since 1 August 2015 and is primarily responsible for the company secretarial and administrative matters of our Group. He joined the Company in September 2000 as office officer and was responsible for administrative management matters. Mr. Zhong Zhihua has more than seven years of experience in administrative management matters.

The working experience of Mr. Zhong Zhihua is set out as below:

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
2000.09-2008.01	The Company	Construction contracting	Office officer	Administrative matters
2008.02-2008.12	The Company	Construction contracting	Manager of finance department	Financial management matters

Period	Name of employer(s)	Principal business of the employers	Position	Duties and responsibilities
2009.01-2011.07	The Company	Construction contracting	Deputy general manager of the integrated management centre* (綜合管理中心) and the manager of the finance department	Financial management matters
2011.08-2013.06	The Company	Construction contracting	Deputy general manager of the integrated management centre* (綜合管理中心) and the deputy general manager of the corporate development centre* (企業發展中心)	Financial management and corporate development operational matters
2013.07-2013.12	The Company	Construction contracting	Secretariat officer, the deputy general manager of the corporate development centre* (企業發展中心) and the manager of the planning management department	Administrative management and corporate development operational matters
2014.01-2014.12	The Company	Construction contracting	Standing deputy general manager of the integrated management centre* (綜合管理中心)	Financial management and corporate development operational matters
2015.01 to present	The Company	Construction contracting	Assistant to president and the standing deputy general manager of the integrated management centre* (綜合管理中心)	Financial management and corporate development operational matters

Mr. Zhong Zhihua completed a two-year specialty course majoring in modern secretarial training at the Zhejiang Radio & Television University* (浙江廣播電視大學) in June 1999. He also completed a two and a half year online course majoring in accountancy at the East China University of Science and Technology* (華東理工大學) in January 2011. In July 2006, he completed a two-year online course majoring in administrative management at the East China University of Science and Technology* (華東理工大學). He also obtained a qualification certificate for assistant economist (助理經濟師) issued by Jiaxing City Personnel Bureau* (嘉興市人事局) in January 2005. In September 2009, he obtained a qualification certificate for engineer issued by Jiaxing City Personnel Bureau* (嘉興市人事局).

BOARD COMMITTEES

Audit Committee

The Company has established an audit committee on 23 December 2015 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Mr. Wong Ka Wai, Mr. Lin Tao and Mr. Xu Guoqiang. Mr. Wong Ka Wai currently serves as the chairman of our audit committee.

Remuneration and Appraisal Committee

The Company has established a remuneration and appraisal committee on 23 December 2015 with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration and appraisal committee are to evaluate the performance and make recommendations on the remuneration of our senior management and to recommend members of the Board.

Our remuneration and appraisal committee consists of three members, being Mr. Lv Yaoneng, Mr. Lin Tao and Mr. Xu Guoqiang. Mr. Xu Guoqiang currently serves as the chairman of our remuneration and appraisal committee.

Nomination Committee

The Company has established a nomination committee on 23 December 2015 with its written terms of reference in compliance with paragraph A.5 of the Corporate Government Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our nomination committee consists of three members, being Mr. Lv Yaoneng, Mr. Lin Tao and Mr. Xu Guoqiang, Mr. Lin Tao currently serves as the chairman of our nomination committee.

REMUNERATION POLICY

Our Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Company. The Company also reimburses our Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Company or executing their functions in relation to the operations of the Company. We regularly review and determine the remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors, Supervisors and senior management and the performance of the Company.

COMPENSATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) paid by the Company to our Directors and Supervisors were approximately RMB1,405,000, RMB1,350,000, RMB1,474,000 and RMB606,000, respectively. Our Directors' and Supervisors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) paid by the Company to our senior management were approximately RMB1,869,000, RMB2,155,000, RMB2,257,000 and RMB766,000, respectively. Our senior management remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

The fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) payable by the Company to the top five highest paid individuals (including Directors and Supervisors) for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, were approximately RMB1,295,000, RMB1,464,000, RMB1,412,000 and RMB596,000, respectively.

During the Track Record Period, no remuneration was paid by the Company to, or receivable by, our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining the Company. No compensation was paid by us to, or receivable by, our Directors, past Directors, our Supervisors, past Supervisors or the five highest-paid individuals for the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of the Company.

None of our Directors or Supervisors had waived any remuneration during the Track Record Period. Save as disclosed above, no other payments have been paid, or are payable, by the Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

It is estimated that under the arrangements currently in force, the aggregate amount of compensation (including salaries, benefits in kind but excluding discretionary bonuses) payable to our Directors and Supervisors for the year ending 31 December 2015, will be approximately RMB1,400,000 and RMB370,000, respectively.

COMPLIANCE ADVISER

The Company has appointed Guotai Junan Capital Limited as our compliance adviser upon Listing pursuant to Rule 3A.19 and Rule 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

(c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this Prospectus; and

(d) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, Guotai Junan Capital Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Guotai Junan Capital Limited will also inform us of any amendment or supplement to applicable laws and guidelines in Hong Kong.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and general manager (which is equivalent to chief executive officer) and Mr. Lv Yaoneng currently performs these two roles. Our Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and general manager of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

So far as the Directors are aware, each of the following persons will, as of the date of this Prospectus, have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of the Group:

Shareholders	Capacity/Nature of interest	Number and class of securities[(1)]	Approximate percentage of interest in the Company
Jujiang Holdings	Beneficial Owner	204,000,000 Domestic Shares (L)	51%
Mr. Lv Yaoneng (吕耀能)[(2)]	Interest of controlled corporation	204,000,000 Domestic Shares (L)	51%
Ms. Shen Hongfen (沈洪芬)[(3)]	Interest of spouse	204,000,000 Domestic Shares (L)	51%
Jujiang Equity Investment	Beneficial Owner	196,000,000 Domestic Shares (L)	49%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) Jujiang Holdings is held as to approximately 51.33% by Mr. Lv Yaoneng. Mr. Lv Yaoneng controls more than one-third of the voting rights of Jujiang Holdings and is deemed to be interested in its interest in the Company by virtue of the SFO.

(3) Ms. Shen Hongfen (沈洪芬), the spouse of Mr. Lv Yaoneng, is deemed to be interested in Mr. Lv Yaoneng's interest in the Company by virtue of the SFO.

So far as the Directors are aware, each of the following persons will, immediately following completion of the Global Offering (without taking into account any H Shares that may be issued upon the exercise of the Over-allotment Option), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of the Group:

Shareholders	**Nature of interest**	**Number of Shares held after the Global Offering[(1)(2)]**	**Approximate shareholding percentage in the relevant class of Shares after the Global Offering**	**Approximate percentage of shareholding in the total share capital of the Company after the Global Offering[(3)]**
Jujiang Holdings[(4)]	Beneficial Owner	204,000,000 Domestic Shares (L)	51%	38.25%
Mr. Lv Yaoneng[(5)]	Interest of controlled corporation	204,000,000 Domestic Shares (L)	51%	38.25%
Ms. Shen Hongfen (沈洪芬)[(6)]	Interest of spouse	204,000,000 Domestic Shares (L)	51%	38.25%
Jujiang Equity Investment[(7)]	Beneficial Owner	196,000,000 Domestic Shares (L)	49%	36.75%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) The calculation is based on the percentage of shareholding in the Domestic Shares.

(3) The calculation is based on the total number of 533,360,000 Shares in issue after the Global Offering.

(4) Jujiang Holdings will be directly interested in approximately 38.25% in the Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).

(5) The Company will be held as to approximately 38.25% by Jujiang Holdings immediately following the completion of the Global Offering (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option). The disclosed interest represents the interest in the Company held by Jujiang Holdings which is in turn approximately 51.33% owned by Mr. Lv Yaoneng. Mr. Lv Yaoneng controls more than one-third of the voting rights of Jujiang Holdings and is deemed to be interested in its interest in the Company by virtue of the SFO.

(6) Ms. Shen Hongfen (沈洪芬), the spouse of Mr. Lv Yaoneng, is deemed to be interested in Mr. Lv Yaoneng's interest in the Company by virtue of the SFO.

(7) Jujiang Equity Investment will be directly interested in approximately 36.75% in the Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying Shares, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of the Group.

As of the date of this Prospectus, the registered share capital of the Company is RMB400,000,000, divided into 400,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of the Company immediately following the Global Offering will be increased to RMB533,360,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
400,000,000	Domestic Shares[1]	75.0%
133,360,000	H Shares to be issued under the Global Offering	25.0%
533,360,000		**100.0%**

Note:

(1) These Domestic Shares may be converted into H Shares. See "– Conversion of Our Domestic Shares into H Shares."

Assuming the Over-allotment Option is exercised in full, the share capital of the Company immediately following the Global Offering will be increased to RMB553,295,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
400,000,000	Domestic Shares[1]	72.3%
153,295,000	H Shares to be issued under the Global Offering	27.7%
553,295,000		**100.0%**

Note:

(1) These Domestic Shares may be converted into H Shares. See "– Conversion of Our Domestic Shares into H Shares."

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that: (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK$50.0 million.

The Company undertakes that it will meet the public float requirement under the Listing Rules at the time of Listing and after the completion of the Global Offering. We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

The above tables assume the Global Offering becomes unconditional and is completed.

OUR SHARES

Our Domestic Shares and H Shares are both ordinary shares in the share capital of the Company. H Shares may only be subscribed for and traded in Hong Kong dollars (except for the H Shares which are eligible shares under the Shanghai-Hong Kong Stock Connect and can be traded in Renminbi) between legal or natural persons of Hong Kong, Macau, Taiwan or any country or jurisdiction other than the PRC and qualified domestic institutional investors of the PRC. Domestic Shares, on the other hand, may only be subscribed for and traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC as well as certain PRC qualified investors under the Shanghai-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi.

Our Promoters hold all existing Domestic Shares as promoter shares (as defined in the PRC Company Law). Under the PRC Company Law, promoter shares may not be sold within a period of one year from 29 December 2014. The PRC Company Law further provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing on any stock exchange.

Except as described in this Prospectus and in relation to the despatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix VI to this Prospectus, our Domestic Shares and our H Shares will rank pari passu with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC laws may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

We have two classes of ordinary shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares. Such converted H Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted shares shall have duly completed pursuant to any requisite internal approval processes and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of our Domestic Shares are to be converted into and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and Procedure for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on: (i) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates; and (ii) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Promoters currently proposes to convert any of the Domestic Shares held by it into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE LISTING DATE

The PRC Company Law provides that in relation to the Global Offering of a company, the shares issued by a company prior to the Global Offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by the Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the *Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange* (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days upon listing.

GENERAL MANDATE TO ISSUE SHARES

Subject to the completion of the Global Offering, our Board has been granted a general mandate to allot and issue Domestic Shares and/or H Shares at any time, either separately or concurrently, at any time within a period of up to the date of the conclusion of the next annual general meeting of Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as our Board in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association and to file such amendments to the relevant administration bureau for industry and commerce for registration, provided that, the number of Domestic Shares or H Shares to be issued shall not exceed 20% of the number of our Domestic Shares in issue and H Shares in issue (as the case may be) as of the Listing Date.

Furthermore, we need to obtain approvals from the CSRC and other relevant government authorities for the actual issuance of H Shares and Domestic Shares.

For more details of this general mandate, please see "Appendix VII – Statutory and General Information – Further Information about the Company – Resolutions Passed at the Company's Extraordinary General Meeting on 23 December 2015."

CONVENING OF GENERAL AND CLASS MEETINGS

See "Appendix VI – Summary of Articles of Association" in this Prospectus for details of the circumstances under which general meetings and class meetings of the Company are required.

The following discussion and analysis should be read in conjunction with our audited financial statements included in "Appendix I – Accountants' Report," together with the accompanying notes. The financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We were the largest construction company in Jiaxing, Zhejiang Province in terms of output value in 2014, holding a market share of 10.4%, according to *Ipsos*. We were established in 1965 as one of the earliest construction companies in Jiaxing, a city currently with a population of more than 4.5 million and strong commercial and light industrial activities. With 50 years' experience in the construction industry, we have built a successful track record in the industry in which we operate.

We successfully obtained the Premium Class Certificate, and the Engineering Design Certificate on 28 January 2015 after undergoing a stringent review process. As of 30 June 2015, we were the only construction company in Zhejiang Province holding both certificates. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. Holding these two key certificates as well as other certificates, we are able to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide. We believe holding these certificates will also allow us to charge a premium rate for our services, resulting in higher profit margins in our construction projects.

We experienced growth in revenue and net profit during the Track Record Period. Our total revenue increased from RMB3,269.8 million for the year ended 31 December 2012 to RMB4,072.1 million for the year ended 31 December 2013, and further to RMB4,289.3 million for the year ended 31 December 2014, representing a CAGR of 14.5% from 2012 to 2014. Our total revenue increased by 17.7% from RMB1,818.1 million for the six months ended 30 June 2014 to RMB2,139.8 million for the six months ended 30 June 2015. Our net profit increased from RMB46.7 million for the year ended 31 December 2012 to RMB60.7 million for the year ended 31 December 2013, and further to RMB82.8 million for the year ended 31 December 2014, representing a CAGR of 33.1% from 2012 to 2014. Our total net profit increased by 28.5% from RMB35.4 million for the six months ended 30 June 2014 to RMB45.5 million for the six months ended 30 June 2015.

Basis of Presentation

Our financial information includes the financial statements of the Company and its subsidiaries during the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which our Group obtained control, and continue to be consolidated until the date that such control ceases.

Our financial information has been prepared in accordance with IFRS. Our financial information has been prepared under the historical cost convention and is presented in Renminbi.

Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and the period-to-period comparability of our financial results are affected by a number of external factors. Our financial statements may not be indicative of our future earnings, cash flows or financial position for numerous reasons, including those described below:

General economic condition and regulatory environment of the PRC construction industry

The PRC real estate industry and the construction industry are to a large extent affected by the conditions of the PRC economy. General economic conditions in China have affected and may continue to affect our business and results of operations. Our revenue directly correlates with the level of real estate development and construction activities in China, particularly in Jiaxing, Zhejiang Province, where a substantial number of our construction projects were located during the Track Record Period. Moreover, the PRC Government recently lowered interest rates to stimulate the slowing real estate market and associated industries, including the construction industry. Changes in national or local policies related to the PRC real estate industry and construction industry may affect the level of activities in these industries, as well as the supply of land for property development, project financing, foreign investment and taxation.

Timing of collection on our construction projects and retention amounts

During the Track Record Period, a substantial majority of our revenue was derived from our construction contracting business. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, our revenue generated from the construction contracting business was RMB3,266.8 million, RMB4,052.8 million, RMB4,258.5 million and RMB2,132.0 million, respectively, representing 99.9%, 99.5%, 99.3% and 99.6% of our total revenue, respectively. In general, we receive progress payments on a monthly basis or upon achievement of key milestones as set forth in our construction contracting contracts. In either case, approximately 20% is withheld by our customers until their acceptance of the construction project. As our construction projects usually take one to three years to complete, the number of contracts and progress of each contract we undertake in any period may affect our results of operations and lead to fluctuations in revenue recognized from period to period. Further, an amount equal to 3% to 5% of the settlement amount calculated upon completion and acceptance of the construction projects payable to us is usually retained by our customers as retention fees and returned to us upon expiration of the warranty period, which is generally two to five years, depending on the type of construction contracting service provided.

Cost fluctuations in construction projects

The major components of our construction project costs are raw material costs and labor costs. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, labor costs accounted for 27.5%, 27.1%, 28.3% and 28.4% of our cost of sales, respectively, and raw material costs accounted for 70.9%, 70.8%, 70.4% and 70.2% of our cost of sales, respectively. According to *Ipsos*, labor costs rose steadily in China during the Track Record Period. In recent years, the number of workers in the construction industry in Jiaxing experienced a decline, which contributed to an increase in the average annual wage in the construction industry in Jiaxing. Further, prices of our principal raw materials fluctuated regularly in China in recent years as a result of changing demand and supply dynamics.

We price our construction projects based on a cost estimate, and under the terms of certain of our contracts, the prices we submit in our bid or negotiate in our contracts are fixed. Our cost estimate is based primarily on the availability and costs of raw materials and equipment, subcontracting costs, project schedule, labor costs, the geographical location and environmental conditions of the project site, as well as the complexity and scale of the construction project, among other factors. If we are unable to accurately estimate our costs when bidding or negotiating our contracts, our profitability may be adversely affected. In addition, the actual costs are likely to fluctuate during the course of implementation of the construction project. While certain of our contracts build in price adjustment clauses, we may not be able to pass the full amount of any cost increase to our customers.

Cost of financing

Interest-bearing bank and other borrowings are an important source of funding for our business. As of 31 December 2012, 2013 and 2014, and 30 June 2015, our outstanding interest-bearing bank and other borrowings amounted to RMB511.8 million, RMB580.9 million, RMB635.4 million and RMB600.6 million, respectively. Our interest-bearing bank and other borrowings bore interest at rates ranging from 4.7% to 20.4%, 5.8% to 21.6%, 5.3% to 20.4% and 5.1% to 21.6% per annum for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, respectively. Interest rates may fluctuate subject to various factors beyond our control. Any fluctuation in any of these interest rates will affect our interest expenses and cost of financing and may have an impact on our financial performance.

Profit margin from our construction contracting business

As advised by *Ipsos*, the PRC construction industry is fragmented and the number of market participants increased continuously during the Track Record Period. This has led to intense competition from a significant number of construction companies in China. During the Track Record Period, we focused primarily on construction projects of private companies, who are relatively price sensitive and whose projects are relatively more demand-driven according to *Ipsos*. Moreover, we held the First Class Certificate for General Building Construction Contracting Work* (房屋建築工程施工總承包企業一級資質) ("First Class Certificate") before obtaining the Premium Class Certificate in early 2015. According to *Ipsos*, there is more business competition among holders of First Class Certificate because of the larger number of holders of such certificate in Jiaxing and in China generally as compared to the holders of the Premium Class Certificate. As such, we adopted a competitive pricing strategy to expand our market share, leading to relatively low levels of gross profit margin during the Track Record Period.

We successful obtained the Premium Class Certificate and Engineering Design Certificate on 28 January 2015 after undergoing a stringent review process. Since obtaining both certificates, we have contracted to undertake more than 15 new construction projects, of which the gross profit margins are estimated to be approximately 0.5% to 1.5% higher than those of our comparable services in 2014. With an increasing number of large-scale building construction projects that we undertake as a general contractor, we expect our status as a holder of such certificates to continue to augment our gross profit margin. Further, we expect that we will have more bargaining power to negotiate more favorable prices for raw materials and equipment and machinery as a holder of both certificates.

Critical Accounting Policies, Judgments and Estimates

Our principal accounting policies and estimates are set forth in Notes 3.2 and 4 under Section II of the Accountants' Report set out in this Prospectus as Appendix I. IFRS requires that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purpose of giving a true and fair view of our results and financial position. Critical accounting policies, judgments and estimates are those that require management to exercise judgments, estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities, their accompanying disclosures and the disclosure of contingent liabilities. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates.

We have identified below the accounting policies and estimates that we believe are the most critical to our financial information and that involve the most significant estimates and judgments. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. Our Directors further confirm that these estimates or underlying assumptions are unlikely to change in the future.

Percentage of completion of construction and service works

Revenue recognition on a project is dependent on the management's estimation of the total outcome of the construction contracting contracts, with reference to the construction works certified by independent surveyors. We review and revise the estimates of contract revenue, contract costs and variation orders, prepared for each construction contracting contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred.

Estimation of total budgeted costs and cost to completion for construction contracting and contracts for services

Total budgeted costs for construction contracting and contracts for services comprise: (i) raw material costs and direct labor; (ii) costs of subcontracting; and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and contracts for services, the management makes reference to information such as: (i) current offers from subcontractors and suppliers; (ii) recent offers agreed with subcontractors and suppliers; and (iii) professional estimation on raw material costs, labor costs and other costs.

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognized as the management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilized. The realization of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognized in profit or loss during the period in which such a reversal takes place.

Impairment of trade receivables

We maintain an allowance for estimated loss arising from the inability of our customers to make the required payments. We make estimates based on the ageing of our trade receivable balances, customers' creditworthiness and write-off history. If the financial condition of our customers deteriorates such that the actual impairment loss might be higher than expected, we would be required to revise the basis for making the allowance and our future results would be affected.

For an asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognized in profit or loss if there is objective evidence of impairment. For an asset that is not individually significant, it is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment. If no objective evidence of impairment incurs for an individually assessed item (whether the asset is individually significant or not, it is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment. Assets for which an impairment loss is individually recognized are not included in a group of assets with similar credit risk characteristics and collectively assessed for impairment.

Description of Components of Results of Operations

Our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 set forth below are extracted from the Accountants' Report set out as Appendix I to this Prospectus.

	Year ended 31 December						**Six months ended 30 June**			
	2012		**2013**		**2014**		**2014**		**2015**	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million* (unaudited)	*%*	*RMB million*	*%*
Revenue	3,269.8	100.0	4,072.1	100.0	4,289.3	100.0	1,818.1	100.0	2,139.8	100.0
Cost of sales	(3,101.9)	(94.9)	(3,869.9)	(95.0)	(4,059.6)	(94.6)	(1,726.9)	(95.0)	(2,029.7)	(94.9)
Gross profit	167.9	5.1	202.2	5.0	229.7	5.4	91.2	5.0	110.1	5.1
Other income and gains	15.8	0.5	4.8	0.1	6.8	0.1	2.5	0.1	0.8	0.0
Administrative expenses	(54.0)	(1.6)	(53.7)	(1.3)	(61.3)	(1.4)	(26.7)	(1.5)	(36.5)	(1.7)
Other expenses	(11.8)	(0.4)	(10.7)	(0.3)	(14.8)	(0.4)	3.5	0.2	9.7	0.5
Finance costs	(49.9)	(1.5)	(50.2)	(1.2)	(43.6)	(1.0)	(20.7)	(1.1)	(22.5)	(1.0)
Profit before tax	68.0	2.1	92.4	2.3	116.8	2.7	49.8	2.7	61.6	2.9
Income tax expense	(21.3)	(0.7)	(31.7)	(0.8)	(34.0)	(0.8)	(14.4)	(0.8)	(16.1)	(0.8)
Total comprehensive income for the year/period, net of tax	**46.7**	**1.4**	**60.7**	**1.5**	**82.8**	**1.9**	**35.4**	**1.9**	**45.5**	**2.1**

Revenue

We generated revenue from our construction contracting business and other businesses during the Track Record Period. Revenue from construction contracting business was mainly derived from our residential and commercial construction projects. Revenue from other businesses was derived from our design, survey and consultancy business and civil defense products manufacturing business. We primarily undertook construction projects as a general contractor during the Track Record Period, where we performed all major aspects of the construction project, including building construction, foundation works, curtain wall construction, building decoration and fire proofing projects.

The following table sets forth a breakdown of our revenue by business and project type for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million* (unaudited)	*%*	*RMB million*	*%*
Construction contracting business	3,266.8	99.9	4,052.8	99.5	4,258.5	99.3	1,803.2	99.2	2,132.0	99.6
Residential construction projects[1]	1,551.4	47.4	2,074.0	50.9	2,147.4	50.1	905.2	49.8	663.1	31.0
Commercial construction projects[2]	972.8	29.8	1,221.5	30.0	1,456.0	33.9	611.9	33.7	1,182.3	55.2
Industrial construction projects[3]	483.8	14.8	528.7	13.0	487.3	11.4	220.6	12.1	187.0	8.7
Public works construction projects[4]	258.8	7.9	228.6	5.6	167.8	3.9	65.5	3.6	99.6	4.7
Other businesses	3.0	0.1	19.3	0.5	30.8	0.7	14.9	0.8	7.8	0.4
Total revenue	**3,269.8**	**100.0**	**4,072.1**	**100.0**	**4,289.3**	**100.0**	**1,818.1**	**100.0**	**2,139.8**	**100.0**

Notes:

(1) Residential construction projects mainly include large-scale residential complexes and affordable housing complexes.

(2) Commercial construction projects mainly include hotels, shopping malls and office buildings.

(3) Industrial construction projects mainly include factories and warehouses.

(4) Public works construction projects mainly include sporting facilities, schools and hospitals.

Cost of sales

Our cost of sales consists of raw material costs, labor costs, subcontracting costs and other costs. The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB million	%	*RMB million*	%	*RMB million*	%	*RMB million*	%	*RMB million*	%
							(unaudited)			
Raw material costs	2,199.0	70.9	2,739.5	70.8	2,857.1	70.4	1,203.3	69.7	1,423.7	70.2
Steel	924.3	29.8	1,027.2	26.5	1,179.6	29.1	462.4	26.8	619.2	30.5
Concrete	271.6	8.7	426.7	11.0	399.7	9.8	189.4	11.0	159.0	7.8
Moulding	206.9	6.7	258.5	6.7	245.9	6.1	89.5	5.2	157.5	7.8
Cement	92.4	3.0	114.5	3.0	83.8	2.1	36.2	2.1	29.6	1.5
Others(1)	703.8	22.7	912.6	23.6	948.1	23.3	425.8	24.6	458.4	22.6
Labor costs	852.9	27.5	1,050.6	27.1	1,147.1	28.3	493.1	28.5	577.1	28.4
Subcontracting costs	18.9	0.6	33.7	0.9	18.1	0.4	11.9	0.7	4.5	0.2
Other costs	31.1	1.0	46.1	1.2	37.3	0.9	18.6	1.1	24.4	1.2
Total cost of sales	**3,101.9**	**100.0**	**3,869.9**	**100.0**	**4,059.6**	**100.0**	**1,726.9**	**100.0**	**2,029.7**	**100.0**

Note:

(1) Others mainly represents sandstone, piles, pipes and other raw materials.

Raw material costs consist of the costs of raw materials for construction projects, such as concrete and steel. Labor costs consist of fees paid to our labor subcontracting agents. Subcontracting costs consist of fees for engaging subcontractors to provide construction services for certain of our construction projects. Other costs consist of fees incurred on our construction projects, including insurance and logistics fees.

The following table sets forth a breakdown of our cost of sales by business for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB million	%	*RMB million*	%	*RMB million*	%	*RMB million*	%	*RMB million*	%
							(unaudited)			
Construction contracting business	3,098.6	99.9	3,855.1	99.6	4,037.0	99.4	1,714.8	99.3	2,022.7	99.7
Other businesses	3.3	0.1	14.8	0.4	22.6	0.6	12.1	0.7	7.0	0.3
Total cost of sales	**3,101.9**	**100.0**	**3,869.9**	**100.0**	**4,059.6**	**100.0**	**1,726.9**	**100.0**	**2,029.7**	**100.0**

During the Track Record Period, the majority of our construction contracting contracts, in terms of contract value, was adjustable based on major raw material and labor fluctuations to a certain extent as stipulated in the construction contracting contracts. Only approximately 20% of the total contract value of the construction contracting contracts we entered into during the Track Record Period may not be adjusted. Among these construction contracting contracts, 71.3% and 28.7% (in terms of total contract value) related to projects with construction periods of 12 months of less and over 12 months, respectively. See "Business – Risk Management and Internal Control" for our internal control measures for such contracts. Our Directors believe that our internal control policies and measures are sufficient and effective to manage our exposure to fluctuations in raw material and labor cost. Other construction contracting contracts have varying price adjustment clauses that enable us to pass on major cost fluctuations to our customers. For price adjustment mechanisms to our fixed-price and variable-price contracts, see "Business – Construction Contracting Business – Price Determination."

As confirmed by *Ipsos*, the market price in China for reinforcing steel and cement, which is an ingredient of concrete, displayed a general downward trend during the Track Record Period and up to the Latest Practicable Date. As confirmed by *Ipsos*, the average price of reinforcing steel, concrete and cement for each year during the Track Record Period decreased by approximately 14%, 2% and 10%, respectively. The month-to-month price fluctuations were usually within 5%. See "Industry Overview – Construction Industry in China – Price Trend of Raw Materials." For our labor cost, we normally prepare our construction budget with reference to the latest rates for labor subcontracting and our labor subcontracting agents' fee quotes, and we will then enter into the labor services contracts which specify the fixed rates charged for labor subcontracting. Hence, the relevant rates charged for labor subcontracting are fixed and reflected in the contract value of our construction projects. Considering the abovementioned, in particular the duration of our construction contracting contracts without a price adjustment clause, our Directors believe that the impact that any fluctuation of raw materials and labor cost may have is immaterial and the existing contract price adjustment mechanisms for fluctuation of raw material cost of 5% are reasonable. Moreover, we did not have any cost overruns over 5% for the non-adjustable construction contracting contracts we entered into and completed during the Track Record Period. Thus, our Directors believe, and the Sole Sponsor concurs, that the adoption of a 5% fluctuation of total raw material costs in the sensitivity analysis is appropriate to reflect our financial exposure in medium term after taking into account the historical fluctuation of raw material cost and our lock-up arrangement for labor subcontracting cost. As we obtained the Premium Class Certificate and Engineering Design Certificate in early 2015, our Directors believe that our bargaining power has and will continue to increase. Thus, for future construction projects, we intend to determine the price adjustment mechanisms for construction contracting contracts on a case-by-case basis after assessing market conditions and the project nature.

The following tables are for reference only and illustrate the hypothetical fluctuations in our cost of sales in relation to hypothetical percentage changes to raw material costs and labor costs on our profit before tax during the Track Record Period. Fluctuations of total raw material costs are assumed to be 1%, 2% and 5% for each of the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, respectively. Further, fluctuations of major raw material costs (being steel, concrete and cement) are assumed to be 1%, 5% and 10% for each of the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, respectively.

Increase/(decrease) of profit before tax

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Raw material costs increase/(decrease) by:					
+5%	(109.9)	(137.0)	(142.9)	(60.2)	(71.2)
+2%	(44.0)	(54.8)	(57.1)	(24.1)	(28.5)
+1%	(22.0)	(27.4)	(28.6)	(12.0)	(14.2)
0	–	–	–	–	–
-1%	22.0	27.4	28.6	12.0	14.2
-2%	44.0	54.8	57.1	24.1	28.5
-5%	109.9	137.0	142.9	60.2	71.2
Steel costs increase/(decrease) by:					
+10%	(92.43)	(102.72)	(117.96)	(46.24)	(61.92)
+5%	(46.22)	(51.36)	(58.98)	(23.12)	(30.96)
+1%	(9.24)	(10.27)	(11.80)	(4.62)	(6.19)
0	–	–	–	–	–
-1%	9.24	10.27	11.80	4.62	6.19
-5%	46.22	51.36	58.98	23.12	30.96
-10%	92.43	102.72	117.96	46.24	61.92
Concrete and cements costs increase/(decrease) by:					
+10%	(36.40)	(54.12)	(48.33)	(22.57)	(18.86)
+5%	(18.20)	(27.06)	(24.17)	(11.29)	(9.43)
+1%	(3.64)	(5.41)	(4.83)	(2.26)	(1.89)
0	–	–	–	–	–
-1%	3.64	5.41	4.83	2.26	1.89
-5%	18.20	27.06	24.17	11.29	9.43
-10%	36.40	54.12	48.33	22.57	18.86
Labor costs increase/(decrease) by:					
+5%	(42.6)	(52.5)	(57.4)	(24.7)	(28.9)
+2%	(17.1)	(21.0)	(22.9)	(9.9)	(11.5)
+1%	(8.5)	(10.5)	(11.5)	(4.9)	(5.8)
0	–	–	–	–	–
-1%	8.5	10.5	11.5	4.9	5.8
-2%	17.1	21.0	22.9	9.9	11.5
-5%	42.6	52.5	57.4	24.7	28.9

Gross profit and gross profit margin

Our gross profit increased from RMB167.9 million for the year ended 31 December 2012 to RMB202.2 million for the year ended 31 December 2013, and further to RMB229.7 million for the year ended 31 December 2014. Our gross profit increased from RMB91.2 million for the six months ended 30 June 2014 to RMB110.1 million for the six months ended 30 June 2015. Our gross profit margin remained stable, fluctuating slightly from 5.1% for the year ended 31 December 2012 to 5.0% for the year ended 31 December 2013, and to 5.4% for the year ended 31 December 2014. For the six months ended 30 June 2014 and 2015, our gross profit margin was 5.0% and 5.1%, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by business and project type for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	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 million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million* (unaudited)	*%*	*RMB million*	*%*
Construction contracting business										
Residential construction projects	91.9	5.9	112.4	5.4	106.9	5.0	44.0	4.9	32.8	4.9
Commercial construction projects	41.1	4.2	54.7	4.5	79.8	5.5	28.9	4.7	61.2	5.2
Industrial construction projects	24.4	5.0	22.1	4.2	26.9	5.5	12.4	5.6	10.2	5.5
Public works construction projects	10.8	4.2	8.5	3.7	7.9	4.7	3.1	4.7	5.1	5.1
Other businesses	(0.3)[1]	(10.0)	4.5	23.3	8.2	26.6	2.8	18.8	0.8	10.3
	167.9	**5.1**	**202.2**	**5.0**	**229.7**	**5.4**	**91.2**	**5.0**	**110.1**	**5.1**

Note:

(1) See "– Period to Period Comparison of Results of Operations – Year ended 31 December 2013 compared with year ended 31 December 2012 – Gross profit and gross profit margin."

Other income and gains

Our other income and gains consist primarily of interest income, government grants and dividend income. Our other income and gains for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 were RMB15.8 million, RMB4.8 million, RMB6.8 million, RMB2.5 million and RMB0.8 million, respectively. Our interest income consisted of interest from our inter-company borrowings and interest on deposits for bank acceptance drafts. Our government grants consisted primarily of construction industry funds received from MOHURD and Tongxiang Finance Bureau in support of our development of innovative and advanced construction technologies. Our dividend income is the dividend received from Tongxing Concrete, in which we hold an 18% equity interest.

Administrative expenses

Our administrative expenses consist of the following:

- Staff costs – salaries and benefits of our management and administrative staff;
- Consultancy fees – fees for consultants and professionals in relation to the Listing;
- Tax expenses – mainly stamp duty and property taxes;
- Depreciation and amortization – depreciation and amortization of our property, plant and equipment;
- Office and administration expenses – mainly expenses for office supplies and utilities;
- Travel and business development expenses – mainly travel expenses, business development expenses, and fees incurred in relation to industry conferences; and
- Bank charges and other expenses – mainly charges and fees made to banks in bank transactions and fees in relation to our vehicles and training for our staff.

Our administrative expenses for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 were RMB54.0 million, RMB53.7 million, RMB61.3 million, RMB26.7 million and RMB36.5 million, respectively. The table below sets forth the components of our administrative expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million* (unaudited)	*%*	*RMB million*	*%*
Staff costs	26.9	49.8	27.2	50.6	31.3	51.1	14.3	53.6	16.3	44.6
Consultancy fees	3.0	5.6	2.1	3.9	6.2	10.1	1.0	3.7	7.3	20.0
Tax expenses	5.5	10.2	5.5	10.2	6.1	9.9	2.7	10.1	2.8	7.7
Depreciation and amortization	7.2	13.3	6.4	12.0	6.0	9.8	3.0	11.2	3.4	9.3
Office and administration expenses	3.5	6.5	3.4	6.3	2.9	4.8	1.6	6.0	1.9	5.2
Travel and business development expenses	4.7	8.7	5.0	9.2	4.1	6.6	2.8	10.5	3.1	8.5
Bank charges and other expenses	3.2	5.9	4.1	7.8	4.7	7.7	1.3	4.9	1.7	4.7
Total administrative expenses	**54.0**	**100.0**	**53.7**	**100.0**	**61.3**	**100.0**	**26.7**	**100.0**	**36.5**	**100.0**

Other expenses

Our other expenses consist primarily of impairment for trade receivables, impairment for other receivables, donation expenses and expenses due to force majeure event. Our other expenses for the years ended 31 December 2012, 2013 and 2014 were RMB11.8 million, RMB10.7 million and RMB14.8 million, respectively. Certain provisions made for impairment of other receivables were reversed for the six months ended 30 June 2014 and 2015, and as a result, we had an accounting credit of RMB3.5 million and RMB9.7 million, respectively. The table below sets forth a breakdown of our other expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB million	*RMB million*	*RMB million*	*RMB million* (unaudited)	*RMB million*
Impairment for trade receivables	10.8	2.5	3.6	1.6	1.8
Impairment/(reversal of impairment) for other receivables	0.6	6.7	10.9	(5.2)	(11.8)
Donation expenses	0.3	0.3	0.1	–	–
Expenses due to force majeure event	–	1.0	–	–	–
Other expenses	0.1	0.2	0.2	0.1	0.3
Total other expenses	**11.8**	**10.7**	**14.8**	**(3.5)**	**(9.7)**

Finance costs

Our finance costs consist of interests on bank and other borrowings wholly repayable within one year and interests on discounted notes. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015, our finance costs were RMB49.9 million, RMB50.2 million, RMB43.6 million, RMB20.7 million and RMB22.5 million, respectively.

Income tax expense

Our income tax expense for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015 was RMB21.3 million, RMB31.7 million, RMB34.0 million and RMB16.1 million, respectively, and our effective tax rate was 31.3%, 34.3%, 29.1% and 26.1%, respectively. Our effective tax rate was higher than the EIT rate of 25% during the Track Record Period because we had certain inter-company borrowings and no interest was paid on some of such inter-company borrowings. The relevant PRC tax authority may deem such interest as income in an amount equal to RMB16.1 million, RMB34.2 million, RMB16.9 million and RMB2.3 million for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, respectively, and require us to pay business tax and income tax on such income. Our Directors confirm that we have paid all relevant taxes and are not subject to any dispute or unsolved tax issues with the relevant tax authorities in China.

Total comprehensive income for the year/period, net of tax

As a result of the foregoing, we recorded net profit of RMB46.7 million, RMB60.7 million, RMB82.8 million, RMB35.4 million and RMB45.5 million for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015, respectively.

Period to Period Comparison of Results of Operations

Six months ended 30 June 2015 compared with six months ended 30 June 2014

Revenue

Our revenue increased by 17.7% from RMB1,818.1 million for the six months ended 30 June 2014 to RMB2,139.8 million for the six months ended 30 June 2015 primarily because of the increased revenue from commercial construction projects as a result of increased project volume and increased scale of such projects, partly offset by a decrease in revenue from residential construction projects as a result of fewer projects due to the decline of the residential real estate market during this period.

Cost of sales

Our cost of sales increased by 17.5% from RMB1,726.9 million for the six months ended 30 June 2014 to RMB2,029.7 million for the six months ended 30 June 2015. The increase in our cost of sales was mainly due to increases in raw material costs by RMB220.4 million and labor costs by RMB84.0 million as a result of the increased number of commercial construction projects we undertook, partly offset by our decreased number of residential construction projects.

Gross profit and gross profit margin

Our gross profit increased by 20.7% from RMB91.2 million for the six months ended 30 June 2014 to RMB110.1 million for the six months ended 30 June 2015, and our gross profit margin increased slightly from 5.0% to 5.1% during the same period. The increase in our gross profit was primarily due to an increase in gross profit of our construction contracting business during this period. The increase in our gross profit margin is primarily because shifts in the PRC real estate industry had resulted in an increased number of commercial construction projects we undertook, which have a slightly higher gross profit margin, and a decreased number of residential construction projects we undertook, which has a relatively lower gross profit margin.

Other income and gains

Our other income and gains decreased by 68.0% from RMB2.5 million for the six months ended 30 June 2014 to RMB0.8 million for the six months ended 30 June 2015 primarily because we received one-off government grants of RMB1.4 million for the six months ended 30 June 2014, which decreased to RMB90,000 for the six months ended 30 June 2015, and our interest income decreased by RMB0.6 million during this period due to lower interest rates.

Administrative expenses

Our administrative expenses increased by 36.7% from RMB26.7 million for the six months ended 30 June 2014 to RMB36.5 million for the six months ended 30 June 2015 primarily because of: (i) an increase in consultancy fees by RMB6.3 million for fees incurred in preparation of the Listing; and (ii) an increase in staff costs by RMB2.0 million due to an increase in head count and salary level of our administrative staff in line with our business expansion.

Other expenses

We had an accounting credit of RMB3.5 million for the six months ended 30 June 2014, which increased to RMB9.7 million for the six months ended 30 June 2015, primarily because of an increase in reversal of provision made for impairment for other receivables by RMB6.6 million. We had a provision for impairment for other receivables primarily because there was objective evidence indicating that our assets may be impaired after the initial recognition of inter-company borrowings and performance guarantees paid to the customers. In the case of inter-company borrowings, there was objective evidence that the real estate developer to whom we advanced loans encountered financial difficulties, and in the case of performance guarantees, there was objective evidence of our customers' default or delinquency in the repayment of such performance guarantees. The reversal of impairment of other receivables is primarily because there was objective evidence of a recovery in value of the relevant assets subsequent to our recognition of impairment, such as collection of inter-company borrowings following our enhanced management and stricter implementation of internal control policies and collection of aged performance guarantees following the customer's recovery from financial difficulties.

The reversal of impairment of other receivables for the six months ended 30 June 2015 amounting to RMB11.8 million was primarily due to the reversal of impairment amounting to RMB30.2 million as a result of the collection of long-aging borrowings from certain related parties in 2015, which was based on objective evidence of a recovery in value of the relevant other receivables. This was partly offset by the provision for impairment amounting to RMB18.0 million due to objective evidence of our customers' default or delinquency in the repayment of certain performance guarantees.

Finance costs

Our finance costs increased by 8.7% from RMB20.7 million for the six months ended 30 June 2014 to RMB22.5 million for the six months ended 30 June 2015 primarily because of an increase in borrowings, which resulted in increased interest expenses.

Income tax expenses

Our income tax expenses increased by 11.8% from RMB14.4 million for the six months ended 30 June 2014 to RMB16.1 million for the six months ended 30 June 2015 primarily because of an increase in the provision of tax as a result of our increased profit. Our effective tax rate decreased from 28.9% for the six months ended 30 June 2014 to 26.1% for the six months ended 30 June 2015 primarily because of a decrease in the deemed interest income generated by inter-company borrowings during this period, which was used to calculate our taxable income.

Total comprehensive income for the period, net of tax

As a result of the foregoing, our net profit increased by 28.5% from RMB35.4 million for the six months ended 30 June 2014 to RMB45.5 million for the six months ended 30 June 2015. Our net profit margin increased from 1.9% to 2.1% during the same period due to the increased gross profit of our construction contracting business. Such net profit margin is in line with our competitive pricing strategy to attract business opportunities in the competitive and fragmented market in which we operate.

Year ended 31 December 2014 compared with year ended 31 December 2013

Revenue

Our revenue increased by 5.3% from RMB4,072.1 million for the year ended 31 December 2013 to RMB4,289.3 million for the year ended 31 December 2014. The increase in our revenue was mainly a result of the increase in number of our residential and commercial construction projects, which was in line with increased urbanization in China and the introduction of favorable policies by the PRC Government to encourage investment in such construction projects. The increase was partly offset by a decrease in revenue from industrial construction projects and public works construction projects because a substantial number of our industrial and public works construction projects were completed or close to completion in 2013.

Cost of sales

Our cost of sales increased by 4.9% from RMB3,869.9 million for the year ended 31 December 2013 to RMB4,059.6 million for the year ended 31 December 2014. The increase in our cost of sales was mainly due to increases in raw material costs by RMB117.6 million and labor costs by RMB96.4 million as a result of the increased number of our residential and commercial construction projects during this period.

Gross profit and gross profit margin

Our gross profit increased by 13.6% from RMB202.2 million for the year ended 31 December 2013 to RMB229.7 million for the year ended 31 December 2014 mainly due to the increase in business activities of our construction contracting business for the reasons discussed above. Our gross profit margin increased from 5.0% to 5.4% during the same period mainly because: (i) we were able to better control our cost of sales; (ii) we had more commercial construction projects during this period, which had higher gross profit margins; and (iii) certain of our industrial construction projects with lower gross profit were completed in 2013.

Other income and gains

Our other income and gains increased by 41.7% from RMB4.8 million for the year ended 31 December 2013 to RMB6.8 million for the year ended 31 December 2014 primarily because of an increase in government grants from RMB2.7 million to RMB4.7 million during the same period, which mainly consisted of an increase in the construction subsidy received in 2014 and a rebate for water conservancy fund. The increase in our other income and gains was offset by a decrease in dividend income by RMB0.9 million, which we did not receive in 2014, because Tongxing Concrete did not distribute dividends in 2014.

Administrative expenses

Our administrative expenses increased by 14.2% from RMB53.7 million for the year ended 31 December 2013 to RMB61.3 million for the year ended 31 December 2014 primarily because of: (i) an increase in staff costs by RMB4.1 million due to increased recruitment and head count in preparation of applying for the Premium Class Certificate; and (ii) an increase in consultancy fees by RMB4.1 million in relation to the Listing.

Other expenses

Our other expenses increased by 38.3% from RMB10.7 million for the year ended 31 December 2013 to RMB14.8 million for the year ended 31 December 2014, primarily as a result of: (i) an increase in impairment for other receivables by RMB4.2 million, which was primarily due to a related party to whom we advanced loans to encountered financial difficulties in 2014 and receivables was individually assessed for impairment and a provision was accrued; and (ii) an increase in impairment for trade receivables by RMB1.1 million because the collectability of certain trade receivables was assessed to be low.

Finance costs

Our finance costs decreased by 13.1% from RMB50.2 million for the year ended 31 December 2013 to RMB43.6 million for the year ended 31 December 2014 primarily because we paid interest on a number of significant interest-bearing other borrowings in 2013 and such borrowings were repaid in full in 2013.

Income tax expenses

Our income tax expenses increased by 7.3% from RMB31.7 million for the year ended 31 December 2013 to RMB34.0 million for the year ended 31 December 2014 primarily because of an increase in the provision of tax as a result of our increased profit. Our effective tax rate decreased from 34.3% for the year ended 31 December 2013 to 29.1% for the year ended 31 December 2014 primarily because of a decrease in the deemed interest income generated by inter-company borrowings during this period, which was used to calculate our taxable income.

Total comprehensive income for the year, net of tax

As a result of the foregoing, our net profit increased by 36.4% from RMB60.7 million for the year ended 31 December 2013 to RMB82.8 million for the year ended 31 December 2014. Our net profit margin increased from 1.5% to 1.9% during the same period due to an increase in the gross profit of our commercial construction projects and a decrease in finance costs. Such net profit margin is in line with our competitive pricing strategy to attract business opportunities in the competitive and fragmented market in which we operate.

Year ended 31 December 2013 compared with year ended 31 December 2012

Revenue

Our revenue increased by 24.5% from RMB3,269.8 million for the year ended 31 December 2012 to RMB4,072.1 million for the year ended 31 December 2013. The increase in our revenue was mainly the result of an increase in revenue from our residential and commercial construction projects, due to the increase in scale of our residential and commercial construction projects, which was in line with the growth of the real estate industry in China during this period.

Cost of sales

Our cost of sales increased by 24.8% from RMB3,101.9 million for the year ended 31 December 2012 to RMB3,869.9 million for the year ended 31 December 2013. The increase in our cost of sales was mainly due to increases in raw material costs by RMB540.5 million and labor costs by RMB197.7 million as a result of the increased number of our commercial construction projects during this period.

Gross profit and gross profit margin

Our gross profit increased by 20.4% from RMB167.9 million for the year ended 31 December 2012 to RMB202.2 million for the year ended 31 December 2013 for the reasons stated above. We recorded gross loss for our other businesses in 2012 primarily because our design, survey and consultancy business, the only component of our other businesses, was in the process of management change in 2012. We had a RMB4.5 million gross profit for our other businesses in 2013 primarily because we completed such management change and were able to better manage costs of our design, survey and consultancy business. Our gross profit margin decreased slightly from 5.1% to 5.0% during the same period. The decrease in our gross profit margin was primarily as a result of the decrease in gross profit margin of our residential construction projects from 5.9% in 2012 to 5.4% in 2013 because certain of our residential construction projects with high gross profit margins were completed in 2012.

Other income and gains

Our other income and gains decreased by 69.6% from RMB15.8 million for the year ended 31 December 2012 to RMB4.8 million for the year ended 31 December 2013 primarily because of a decrease in interest income by RMB11.8 million because we did not collect interest on loans made to related parties, offset by an increase in government grants by RMB0.8 million.

Administrative expenses

Our administrative expenses remained at similar levels, decreasing slightly from to RMB54.0 million for the year ended 31 December 2012 to RMB53.7 million for the year ended 31 December 2013 because expenses under each line item remained at similar levels during this period.

Other expenses

Our other expenses decreased by 9.3% from RMB11.8 million for the year ended 31 December 2012 to RMB10.7 million for the year ended 31 December 2013 primarily because of a decrease in impairment for trade receivables by RMB8.3 million due to a decrease in the balance of overdue trade receivables, partially offset by an increase in impairment for other receivables by RMB6.1 million due to increased provision for impairment resulting from aging of our inter-company borrowings.

Finance costs

Our finance costs remained at similar levels, increasing slightly from RMB49.9 million for the year ended 31 December 2012 to RMB50.2 million for the year ended 31 December 2013 primarily because our interest expenses in relation to bank borrowings and inter-company borrowings remained at similar levels in line with the average balance of such borrowings during this period.

Income tax expenses

Our income tax expenses increased by 48.8% from RMB21.3 million for the year ended 31 December 2012 to RMB31.7 million for the year ended 31 December 2013 primarily because of an increase in the provision of tax as a result of our increased profit. Our effective tax rate increased from 31.3% for the year ended 31 December 2012 to 34.3% for the year ended 31 December 2013 primarily because of an increase in the deemed interest income generated by inter-company borrowings during this period, which was used to calculate our taxable income.

Total comprehensive income for the year, net of tax

As a result of the foregoing, our net profit increased by 30.0% from RMB46.7 million for the year ended 31 December 2012 to RMB60.7 million for the year ended 31 December 2013. Our net profit margin increased slightly from 1.4% to 1.5% during the same period due to effective cost control for our construction projects, which was partially offset by a decrease in the gross profit margins of our residential construction projects during this period. Such net profit margin is in line with our competitive pricing strategy to attract business opportunities in the competitive and fragmented market in which we operate.

Liquidity and Capital Resources

Working capital

We finance our operations primarily through cash generated from operating activities and interest-bearing bank and other borrowings. As of 31 December 2012, 2013 and 2014, and 30 June 2015, we had cash and cash equivalents of RMB58.8 million, RMB39.9 million, RMB26.6 million and RMB29.3 million, respectively.

We monitor our cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet our working capital needs while supporting a healthy level of business and our various growth strategies. In the future, we intend to finance our operations through cash generated from operating activities, interest-bearing bank and other borrowings, as well as through the proceeds from the Global Offering. Other than normal bank borrowings that we obtain from commercial banks and potential debt financing plans, we do not expect to have any material external debt financing plan in the near future.

Taking into account the following facts: (i) we had unutilized banking facilities available (including both bank loans and letters of guarantee) for use in an aggregate amount of RMB449.4 million as of 31 October 2015; (ii) approximately RMB140.2 million of net proceeds will be raised from the Global Offering; (iii) we had cash and cash equivalents of approximately RMB26.1 million as of 31 October 2015; (iv) the subsequent settlement for trade and bills receivables up to 31 October 2015 amounted to approximately RMB286.9 million, representing approximately 61.6% of the balance of trade and bills receivables as of 30 June 2015; and (v) we have implemented measures to closely monitor its cash flow and liquidity position on a monthly basis, our Directors are of the view, and the Sole Sponsor concurs, that we have sufficient working capital for its present requirements and for at least the next 12 months from the date of this Prospectus.

Cash flows

The following table sets forth a selected summary of our consolidated cash flow statements for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB million	*RMB million*	*RMB million*	*RMB million* (unaudited)	*RMB million*
Cash and cash equivalents at the beginning of the year/period	32.3	58.8	39.9	39.9	26.6
Net cash used in operating activities	(45.8)	(174.1)	(97.3)	(229.9)	(192.3)
Net cash used in investing activities	(5.8)	(12.2)	(12.1)	(7.0)	(0.3)
Net cash generated from financing activities	78.1	167.4	96.1	232.0	195.3
Net increase/(decrease) in cash and cash equivalents	26.5	(18.9)	(13.3)	(4.9)	2.7
Cash and cash equivalents at the end of the year/period	58.8	39.9	26.6	35.0	29.3

Net cash used in operating activities

We derive our cash generated from operating activities principally from the receipt of payments from our construction contracting business. Our cash used in operations principally comprises purchase of raw materials, labor fees, overhead and other administrative costs.

For the six months ended 30 June 2015, we had net cash flow used in operating activities of RMB192.3 million. Our net cash outflow was attributable to cash flow used in operations of RMB181.3 million and income tax paid of RMB11.5 million, which was offset by interest received of RMB0.5 million. Our cash flow used in operations primarily consisted of profit before tax of RMB61.6 million, adjusted by reconciliation of certain non-cash items and negative changes in working capital, mainly including: (i) an increase in prepayments, deposits and other receivables by RMB131.0 million due to an increase in performance guarantees we paid, in line with the increased number of construction projects we undertook; (ii) an increase in net amounts due from contract customers by RMB116.7 million representing a greater percentage of our existing projects and an increase in the number of new construction contracting contracts; and (iii) a decrease in trade and bills payables by RMB105.9 million because we made prepayments for a significant amount of raw materials during this period. Such negative changes were in part offset by an increase in other payables, advances from customers and accruals by RMB64.3 million due to increased performance guarantees from our subcontractors for construction projects, in line with the increased number of construction projects we undertook as a general contractor.

For the year ended 31 December 2014, we had net cash flow used in operating activities of RMB97.3 million. Our net cash outflow was attributable to cash flow used in operations of RMB86.7 million and income tax paid of RMB12.1 million, which was offset by interest received of RMB1.6 million. Our cash flow used in operations primarily consisted of profit before taxation of RMB116.8 million, adjusted by reconciliation of certain non-cash items and negative changes in working capital, mainly including: (i) an increase in net amounts due from contract customers by RMB843.0 million representing a greater percentage of our existing projects and an increase in the number of new construction contracting contracts; and (ii) an increase in prepayments, deposits and other receivables by RMB229.9 million due to an increase in performance guarantees we paid, in line with the increased number of construction projects we undertook. Such negative changes were in part offset by an increase in trade and bills payables by RMB783.9 million due to the increased procurement of raw materials as a result of the increased number of construction projects.

For the year ended 31 December 2013, we had net cash flow used in operating activities of RMB174.1 million. Our net cash outflow was attributable to cash flow used in operations of RMB163.4 million and income tax paid of RMB11.9 million, which was offset by interest received of RMB1.2 million. Our cash flow used in operations primarily consisted of profit before taxation of RMB92.4 million, adjusted by reconciliation of certain non-cash items and negative changes in working capital, mainly including: (i) an increase in net amounts due from contract customers by RMB492.1 million representing a greater percentage of our existing projects and an increase in the number of new construction contracting contracts; and (ii) an increase in prepayments, deposits and other receivables by RMB144.0 million due to the increased prepayment for procurement of raw materials and an increase in performance guarantees we paid, in line with the increased number of construction projects we undertook. Such negative changes were in part offset by an increase in trade and bills payables by RMB400.4 million due to the increased procurement of raw materials as a result of the increased number of construction projects.

For the year ended 31 December 2012, we had net cash flow used in operating activities of RMB45.8 million. Our net cash outflow was attributable to cash flow used in operations of RMB46.3 million and income tax paid of RMB12.4 million, which was offset by interest received of RMB12.9 million. Our cash flow used in operations primarily consisted of profit before taxation of RMB68.0 million, adjusted by reconciliation of certain non-cash items and negative changes in working capital, mainly including: (i) an increase in net amounts due from contract customers by RMB211.8 million representing a greater percentage of our existing projects and an increase in the number of new construction contracting contracts; and (ii) an increase in trade and bills receivables by RMB145.6 million due to the growth of our construction contracting business. Such negative changes were in part offset by an increase in trade and bills payables by RMB149.8 million due to the increased procurement of raw materials as a result of the increased number of construction projects and a decrease in pledged deposits by RMB47.0 million because we issued fewer bank acceptance bills to procure raw materials.

Net cash used in investing activities

Our cash used in investing activities is primarily for payments for acquisition of items of property, plant and equipment. Our cash generated from investing activities consists primarily of dividend received from unlisted equity investment.

For the six months ended 30 June 2015, our net cash flow used in investing activities was RMB0.3 million. Our net cash outflow from investing activities was due to payments for acquisition of items of property, plant and equipment.

For the year ended 31 December 2014, our net cash flow used in investing activities was RMB12.1 million. Our net cash outflow from investing activities mainly consisted of payments for acquisition of items of property, plant and equipment of RMB12.0 million for plant and machinery procured for our construction contracting business.

For the year ended 31 December 2013, our net cash flow used in investing activities was RMB12.2 million. Our net cash outflow from investing activities mainly consisted of payments for acquisition of items of property, plant and equipment of RMB12.2 million for construction in progress for renovations of our office building and motor vehicles purchased, and payments for acquisition of intangible assets of RMB0.9 million, partly offset by dividend received from unlisted equity investment of RMB0.9 million for the dividend received from Tongxing Concrete.

For the year ended 31 December 2012, our net cash flow used in investing activities was RMB5.8 million. Our net cash outflow from investing activities mainly consisted of payments for acquisition of items of property, plant and equipment of RMB6.3 million for construction in progress for renovations of our office building and plant and machinery procured for our construction contracting business, partly offset by dividend received from unlisted equity investment of RMB0.9 million for the dividend received from Tongxing Concrete.

Net cash from financing activities

Our cash used in financing activities is primarily for repayment of loans to others and related parties, repayment of bank loans and interest paid. Our cash generated from financing activities consists primarily of receipt of loans from others and related parties and new bank loans.

For the six months ended 30 June 2015, our net cash flow from financing activities was RMB195.3 million. Our net cash inflow from financing activities consisted of borrowing and repayment of loans from related parties of RMB1,125.8 million and new bank loans of RMB371.9 million, partially offset by borrowing and repayment of loans to related parties of RMB865.6 million and repayment of bank loans of RMB406.7 million.

For the year ended 31 December 2014, our net cash flow from financing activities was RMB96.1 million. Our net cash inflow from financing activities consisted of borrowing and repayment of loans from related parties of RMB1,231.0 million, new bank loans of RMB825.2 million and borrowing and repayment of loans from Independent Third Parties of RMB248.3 million, partially offset by borrowing and repayment of loans to related parties of RMB1,063.3 million, repayment of bank loans of RMB770.7 million and borrowing and repayment of loans to Independent Third Parties of RMB330.1 million.

For the year ended 31 December 2013, our net cash flow from financing activities was RMB167.4 million. Our net cash inflow from financing activities consisted of borrowing and repayment of loans from related parties of RMB1,431.0 million, new bank loans of RMB774.8 million and borrowing and repayment of loans from Independent Third Parties of RMB306.2 million, partially offset by borrowing and repayment of loans to related parties of RMB1,332.9 million, repayment of bank loans of RMB705.7 million and borrowing and repayment of loans to Independent Third Parties of RMB308.9 million.

For the year ended 31 December 2012, our net cash flow from financing activities was RMB78.1 million. Our net cash inflow from financing activities mainly consisted of borrowing and repayment of loans from Independent Third Parties of RMB1,424.7 million, new bank loans of RMB798.3 million and borrowing and repayment of loans from related parties of RMB390.6 million, partially offset by borrowing and repayment of loans to Independent Third Parties of RMB940.2 million, repayment of bank loans of RMB852.7 million and borrowing and repayment of loans to related parties of RMB810.4 million.

Selected Items of the Consolidated Statements of Financial Position

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

	As of 31 December			As of 30 June
	2012	2013	2014	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*
Non-current assets				
Property, plant and equipment	122.4	126.4	130.4	126.1
Prepaid land lease payments	10.4	10.2	9.9	9.7
Intangible assets	0.7	1.5	1.4	1.3
Available-for-sale investment	3.6	3.6	3.6	3.6
Deferred tax assets	10.7	13.0	18.1	17.9
Trade receivables	17.0	14.5	20.0	17.4
Prepayments, deposits and other receivables	49.2	62.8	21.8	26.9
Other non-current assets	1.7	1.8	1.2	0.8
Total non-current assets	**215.7**	**233.8**	**206.4**	**203.7**
Current assets				
Prepaid land lease payments	0.3	0.3	0.3	0.3
Inventories	0.2	5.2	9.4	4.8
Trade and bills receivables	468.9	468.8	486.3	448.3
Prepayments, deposits and other receivables	1,108.4	954.8	971.7	846.4
Amounts due from contract customers	1,244.2	1,653.1	2,538.2	2,673.2
Pledged deposits	20.5	76.6	42.0	56.0
Cash and cash equivalents	58.8	39.9	26.6	29.3
Total current assets	**2,901.3**	**3,198.7**	**4,074.5**	**4,058.3**
Current liabilities				
Trade and bills payables	1,430.9	1,831.3	2,615.2	2,509.3
Other payables, advances from customers and accruals	531.4	329.6	190.1	217.6
Amounts due to contract customers	106.5	23.4	65.4	83.8
Interest-bearing bank and other borrowings	511.8	580.9	635.4	600.6
Tax payable	38.3	60.4	87.5	91.9
Total current liabilities	**2,618.9**	**2,825.6**	**3,593.6**	**3,503.2**
Net current assets	**282.4**	**373.1**	**480.9**	**555.1**
Non-current liabilities				
Other payables and accruals	19.2	14.3	11.9	37.8
Total non-current liabilities	**19.2**	**14.3**	**11.9**	**37.8**
Net assets	**478.9**	**592.6**	**675.4**	**721.0**

Our net current assets increased from RMB282.4 million as of 31 December 2012 to RMB373.1 million as of 31 December 2013 primarily due to: (i) an increase in amounts due from contract customers by RMB408.9 million; (ii) a decrease in other payables, advances from customers and accruals by RMB201.8 million; and (iii) a decrease in amounts due to contract customers by RMB83.1 million, partially offset by: (i) an increase in trade and bills payables by RMB400.4 million; (ii) a decrease in prepayments, deposits and other receivables by RMB153.6 million; and (iii) an increase in interest-bearing bank and other borrowings by RMB69.1 million.

Our net current assets increased from RMB373.1 million as of 31 December 2013 to RMB480.9 million as of 31 December 2014 primarily due to: (i) an increase in amounts due from contract customers by RMB885.1 million; and (ii) a decrease in other payables, advances from customers and accruals by RMB139.5 million, partially offset by: (i) an increase in trade and bills payables by RMB783.9 million; and (ii) an increase in interest-bearing bank and other borrowings by RMB54.5 million.

Our net current assets increased from RMB480.9 million as of 31 December 2014 to RMB555.1 million as of 30 June 2015 primarily due to: (i) an increase in amounts due from contract customers by RMB135.0 million; and (ii) a decrease in trade and bills payables by RMB105.9 million, partially offset by a decrease in prepayments, deposits and other receivables by RMB125.3 million.

Property, plant and equipment

Our property, plant and equipment mainly comprised land and buildings, and plant and machinery. The carrying amount of our property, plant and equipment increased from RMB122.4 million as of 31 December 2012 to RMB126.4 million as of 31 December 2013 mainly because of motor vehicles purchased and improvements made to our office building. The carrying amount of our property, plant and equipment increased from RMB126.4 million as of 31 December 2013 to RMB130.4 million as of 31 December 2014 mainly because of purchases of equipment and machinery for our construction contracting business. The carrying amount of our property, plant and equipment decreased from RMB130.4 million as of 31 December 2014 to RMB126.1 million as of 30 June 2015 primarily because of accumulated depreciation during this period.

Inventories

Our inventories consisted of raw materials, goods in progress, finished goods and spare parts and consumables. Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to be incurred to completion and disposal.

The following table sets forth the details of our inventories as of the dates indicated:

	As of 31 December			As of 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	253	5,226	7,658	1,758
Goods in progress	–	–	–	542
Finished goods	–	–	1,680	2,485
Spare parts and consumables	–	–	44	40
Total inventories	**253**	**5,226**	**9,382**	**4,825**

Our inventories increased from RMB0.2 million as of 31 December 2012 to RMB5.2 million as of 31 December 2013 primarily because of our concentrated procurement of raw materials in 2013 due to favorable prices. Our inventories increased from RMB5.2 million as of 31 December 2013 to RMB9.4 million as of 31 December 2014 primarily because of the commencement of our civil defense manufacturing business in 2014. Our inventories decreased from RMB9.4 million as of 31 December 2014 to RMB4.8 million as of 30 June 2015, primarily because of a decrease in raw materials inventory as we kept significant inventory of steel at the end of 2014, a large part of which we used in our construction projects as of 30 June 2015. This was partly offset by an increase in finished civil defense products in our inventory. The composition of raw materials, finished goods and spare parts and consumables vary depending on our construction projects and production schedules.

We evaluate our ending inventories for excess quantities and obsolescence at each balance sheet date. We record a provision if the net realizable value of inventories falls below the cost of such inventory. As of 31 October 2015, approximately RMB2.2 million, or 44.6%, of our inventories as of 30 June 2015 were subsequently consumed.

A significant majority of our revenue is derived from our construction contracting business, which is different from a manufacturing business, particularly in respect of the low inventory levels we keep. As such, inventory turnover days is not indicative of our operation status and not included in our analysis.

Trade and bills receivables

As of 31 December 2012, 2013 and 2014, and 30 June 2015, the current portion of our trade and bills receivables were RMB468.9 million, RMB468.8 million, RMB486.3 million and RMB448.3 million, respectively. Trade and bills receivables consist of trade receivables, bills receivable and provisions for impairment of trade receivables. Trade receivables represent certified work performed by us and billings raised to our customers but not yet settled. We generally do not hold any collateral or other credit enhancements over trade receivable balances. Our trade and bills receivables are non-interest-bearing.

The following table sets forth the details of our trade and bills receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2012	2013	2014	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*
Trade receivables	424.8	364.8	442.5	357.9
Less: provision for impairment	(13.6)	(16.1)	(19.7)	(21.5)
Bills receivable	74.7	134.6	83.5	129.3
Less: portion classified as non-current assets[1]	(17.0)	(14.5)	(20.0)	(17.4)
Total trade and bills receivables	**468.9**	**468.8**	**486.3**	**448.3**

Note:

(1) The non-current portion of trade receivables mainly represents the amounts of retentions held by customers at the end of each period during the Track Record Period.

Our total trade and bills receivables decreased slightly from RMB468.9 million as of 31 December 2012 to RMB468.8 million as of 31 December 2013 primarily because of a decrease in trade receivables offset by an increase in bills receivables, which is due to a change in the mix of payment methods negotiated with our customers. Our total trade and bills receivables increased from RMB468.8 million as of 31 December 2013 to RMB486.3 million as of 31 December 2014 primarily because of delayed payments from our customers due to a slowdown in the residential real estate industry in China during the period. Our total trade and bills receivables decreased from RMB486.3 million as of 31 December 2014 to RMB448.3 million as of 30 June 2015 primarily because we increased collection efforts on our trade and bills receivables during this period.

We typically grant credit periods of one to three months to our customers, except for new customers, from which payment in advance is normally required. We maintain strict control over outstanding trade and bills receivables and our senior management regularly reviews overdue balances. We minimize credit risk by performing credit verification procedures on all customers trading on credit terms. We evaluate based on the customer's 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. We generally do not obtain collateral or other credit enhancements from our customers.

Our customers generally withhold 3% to 5% of the settlement amount calculated upon completion and acceptance of the construction projects payable to us as retention fee. Such retention fee is generally repaid upon expiry of the warranty period or in installments through the length of the warranty period. As of 31 December 2012, 2013 and 2014, and 30 June 2015, the balance of retention held by customers for contract works amounted to RMB27.3 million, RMB34.5 million, RMB45.8 million and RMB40.3 million, respectively. The increase in the amount of retention fees held by customers for contract works was generally in line with the growth of our construction contracting business during the Track Record Period.

We assess the recoverability of trade and bills receivables and establish provisions for impairment when objective evidence indicates that the trade and bills receivables may not be collectable. An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the statement of profit or loss during the period in which it arises in those expense categories consistent with the function of the impaired asset. We assess at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss of an asset is reversed if there has been a change in the estimates used to determine the recoverable amount of that asset. As of 31 December 2012, 2013 and 2014, and 30 June 2015, provisions for impairment of trade receivables amounted to RMB13.6 million, RMB16.1 million, RMB19.7 million and RMB21.5 million, respectively.

The following is an ageing analysis of trade receivables presented based on the invoice date:

	As of 31 December			**As of 30 June**
	2012	**2013**	**2014**	**2015**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Within three months	223.6	157.3	199.6	133.6
Three months to six months	32.4	22.6	74.8	84.4
Six months to one year	54.0	61.6	71.5	31.1
One to two years	71.8	38.3	61.1	63.2
Two to three years	23.2	43.3	12.4	11.2
Three to four years	5.3	22.3	1.8	10.6
Four to five years	0.5	2.6	0.6	0.8
Over five years	0.4	0.7	1.0	1.5
Total trade receivables	**411.2**	**348.7**	**422.8**	**336.4**

The trade receivables that were neither past due nor impaired as of 31 December 2012, 2013 and 2014, and 30 June 2015 were RMB246.7 million, RMB186.5 million, RMB235.5 million, and RMB173.4 million, respectively. Receivables that were neither past due nor impaired relate to a wide range of diversified customers for whom there was no recent history of default.

The following table sets forth the average turnover days of our trade and bills receivables for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	days	*days*	*days*	*days*
Average turnover days of trade and bills receivables[(1)]	45	42	41	40

Note:

(1) Average turnover days of trade and bills receivables for a period equal average trade and bills receivables divided by revenue for the period and multiplied by 365 for a 12-month period or by 181 for a 6-month period. Average trade and bills receivables are calculated as trade and bills receivables at the beginning of the period plus trade and bills receivables at the end of the period, divided by two.

The average turnover days of our trade and bills receivables during the Track Record Period remained at a similar level of approximately 40 days.

As of 31 October 2015, approximately RMB208.3 million, or 61.9%, of our trade receivables as of 30 June 2015 were subsequently settled.

As of 31 October 2015, approximately RMB78.6 million, or 60.8%, of our bills receivable as of 30 June 2015 were subsequently settled.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables consist of deposits and other receivables, prepayment to suppliers and dividend receivables. Our prepayments, deposits and other receivables were RMB1,108.4 million, RMB954.8 million, RMB971.7 million and RMB846.4 million as of 31 December 2012, 2013 and 2014, and 30 June 2015, respectively.

Our deposits and other receivables mainly consist of bid deposits, performance guarantees and migrant worker wage contributions as required by PRC laws and regulations. Our deposits and other receivables decreased from RMB1,043.5 million as of 31 December 2012 to RMB837.2 million as of 31 December 2013 primarily because we recovered a significant amount of performance guarantees and other receivables after the completion and acceptance of construction projects and the completion of construction audits. Our deposits and other receivables increased from RMB837.2 million as of 31 December 2013 to RMB882.2 million as of 31 December 2014 primarily because of an increase in construction projects won through bidding process, resulting in an increase in our bid deposits and performance guarantees. Our deposits and other receivables decreased from RMB882.2 million as of 31 December 2014 to RMB676.2 million as of 30 June 2015 primarily because of a decrease in our inter-company borrowings, partly offset by an increase in performance guarantees we paid, in line with our increased number of construction projects.

We assess the recoverability of deposits and other receivables and establish provisions for impairment when objective evidence indicates that the deposits and other receivables may not be collectable. As of 31 December 2012, 2013 and 2014, and 30 June 2015, provision for impairment of deposits and other receivables amounted to RMB22.3 million, RMB29.0 million, RMB39.9 million and RMB28.1 million, respectively.

The deposits and other receivables that were neither past due nor impaired as of 31 December 2012, 2013 and 2014, and 30 June 2015 were RMB775.7 million, RMB622.6 million, RMB760.1 million and RMB609.7 million, respectively.

Prepayment to suppliers increased from RMB135.5 million as of 31 December 2012 to RMB209.5 million as of 31 December 2013 primarily because of the increased procurement of raw materials due to the increased number of construction projects. Prepayment to suppliers decreased from RMB209.5 million as of 31 December 2013 to RMB151.3 million as of 31 December 2014 primarily because: (i) there were less construction projects in progress at year end, compared to the end of 2013; and (ii) we strictly implemented an internal policy to procure raw materials on an as-needed basis, which lowered prepayments to suppliers. Prepayment to suppliers increased from RMB151.3 million as of 31 December 2014 to RMB225.2 million as of 30 June 2015 primarily because in anticipation of the larger-scale construction projects we planned to undertake upon obtaining the Premium Class Certificate, we made prepayments for raw materials needed for construction projects to our suppliers.

Our dividend receivables from Tongxing Concrete were RMB0.9 million as of 31 December 2012. We did not have dividend receivables as of 31 December 2013 and 2014, and 30 June 2015.

Amounts due from/to contract customers

Our revenue from construction contracts is recognized on the percentage of completion method. The stage of completion of a contract is established by reference to the construction works certified by independent surveyors. Amounts due from contract customers represents the contract costs incurred to date plus recognized profits or losses less progress billings. Amounts due to contract customers represents the surplus derived when progress billings exceed the contract costs incurred to date plus recognized profits less recognized losses. Generally in our construction projects, we send progress billings for confirmation from our customers based on the payment schedule stipulated in our construction contracting contracts. See "Business – Construction Contracting Business – Contract Terms." Once the progress billing is confirmed by the customer, such amount will become trade receivables until the payment is made to us. As discussed in "– Trade and bills receivables," our trade receivables are usually settled in approximately 40 days. The following tables set out the amounts due from/to customers for contract work as of the dates indicated:

	As of 31 December			As of 30 June
	2012	**2013**	**2014**	**2015**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Amounts due from contract customers	1,244.2	1,653.1	2,538.1	2,673.2
Amounts due to contract customers	(106.5)	(23.4)	(65.4)	(83.8)
	1,137.7	**1,629.7**	**2,472.7**	**2,589.4**

	As of 31 December			As of 30 June
	2012	**2013**	**2014**	**2015**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Accumulated contract costs incurred plus recognized profits less recognized losses to date	12,058.8	16,252.4	20,657.5	22,862.8
Less: Accumulated progress billing received and receivable	(10,921.1)	(14,622.7)	(18,184.8)	(20,273.4)
	1,137.7	**1,629.7**	**2,472.7**	**2,589.4**

As of 31 December 2012, 2013 and 2014, and 30 June 2015, our accumulated progress billing received and receivable represented 90.6%, 90.0%, 88.0% and 88.7% of the accumulated contract costs incurred plus recognized profits less recognized losses to date, respectively. The fluctuation in such ratio is primarily caused by varying timeliness of our customers' confirmation of our progress billings.

According to *Ipsos*, it is common for our customers to negotiate payment schedules where the pace of the construction project exceeds the progress billings. There is usually a timing difference between the date of completion of construction works and the date of progress billings for such work, which are billed based on the payment schedule stipulated in our construction contracting contracts. For construction contracting contracts with monthly progress payments, we may issue monthly bills in an amount equal to the percentage of completion applied to the total contract value, less approximately 20% which is withheld by our customers until their acceptance of the construction project. For construction contracting contracts with milestone payments, generally, the amount of construction work completed at the milestone is higher than the amount we can bill our customers. According to *Ipsos*, the average lead time between the date of completing the construction milestone and the date of the relevant progress billing is approximately two to three months. Such lead time may vary depending a number of factors, including but not limited to the size and complexity of the construction project, the relationship between the construction contractor and the customer and the geographical location of such project. As a result, the closer our construction projects are to completion, the more we accumulate amounts due from contract customers. After the construction projects are completed, our last milestone payment, other than retention fee, will be billed upon completion of the construction audit, which certifies the settlement amount mutually agreed to by us and our customers. The construction audit may take four to 12 months to complete. According to *Ipsos*, the average lead time between the completion of the construction project and the issuance of the settlement bill after completion of the construction audit to customers is approximately one to three years. According to *Ipsos*, the long lead time is primarily because of the lengthy negotiation on the final billing amount between construction contractors and their customers. As a result, our amounts due from contract customers will generally have an aging period of one to three years. As advised by *Ipsos*, the billing process and long aging of our amounts due from contract customers are in line with industry norms.

Our amounts due from contract customers increased from RMB1,244.2 million as of 31 December 2012 to RMB1,653.1 million as of 31 December 2013, to RMB2,538.1 million as of 31 December 2014, and further to RMB2,673.2 million as of 30 June 2015, representing 42.9%, 51.7%, 62.3% and 65.9% of our total current assets as of the same dates. The increase in the proportion of our amounts due from contract customers to our total current assets was primarily because of: (i) an increase in the number and scale of our construction projects during the Track Record Period; and (ii) the usual timing difference between the date of completion of construction works and the date of progress billings for the reasons discussed above and the duration of our construction projects typically range from one to three years leading to an accumulated effect of our balance of amounts due from contract customers. Our Directors consider it common that these balances vary from period to period. Considering that: (i) we had unutilized banking facilities available (including both bank loans and letters of guarantee) in an aggregate amount of RMB449.4 million as of 31 October 2015; (ii) we maintained a net current asset position during the Track Record Period; and (iii) our Directors are of the view that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this Prospectus, our Directors further advised that the increase in such balances did not have a material and adverse impact on our working capital during the Track Record Period.

The following table sets out the balance of our amounts due from contract customers as of the dates indicated in relation to revenue recognized in each of the periods indicated, and such balance as a percentage of our amounts due from contract customers:

	As of 31 December						As of 30 June		Subsequent billing until 31 October
	2012		**2013**		**2014**		**2015**		**2015**
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million* (unaudited)
2011 or before	320.4	25.8	117.5	7.1	86.3	3.4	62.9	2.3	39.7
2012	923.8	74.2	229.9	13.9	83.5	3.3	63.6	2.4	16.0
2013	–		1,305.7	79.0	468.6	18.5	308.1	11.5	100.7
2014	–		–		1,899.7	74.8	1,317.6	49.3	392.6
2015	–		–		–		921.0	34.5	420.0
Amounts due from contract customers	**1,244.2**	**100.0**	**1,653.1**	**100.0**	**2,538.1**	**100.0**	**2,673.2**	**100.0**	**969.0**

As of 31 October 2015, RMB1,172.5 million, RMB1,389.9 million, RMB1,363.5 million and RMB969.0 million of our amounts due from contract customers as of 31 December 2012, 2013 and 2014, and 30 June 2015, respectively, were subsequently billed to our customers in accordance with the terms of our construction contracting contracts, representing 94.2%, 84.1%, 53.7% and 36.2% of our amounts due from contract customers as of the same dates, respectively.

We determine provision for foreseeable losses on construction contracting contracts on a case-by-case basis. Our Directors confirm that during the Track Record Period, we collected progress billings based on the payment schedule stipulated in our construction contracting contracts without any delays or difficulties. As such, our management believes that no provision is necessary to be provided against our balances of amounts due from contract customers.

Movements in the amounts due to contract customers are mainly a result of a change in the number of projects in which the pace of progress billings exceeds the pace of the relevant construction project.

Trade and bills payables

Our trade and bills payables represent payables to our suppliers and subcontractors. The following table sets forth the details of our trade and bills payables as of the dates indicated:

	As of 31 December			As of 30 June
	2012	**2013**	**2014**	**2015**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Trade payables	1,413.9	1,831.3	2,562.2	2,426.9
Bills payable	17.0	–	53.0	82.4
Total trade and bills payables	**1,430.9**	**1,831.3**	**2,615.2**	**2,509.3**

Our trade and bills payables increased from RMB1,430.9 million as of 31 December 2012 to RMB1,831.3 million as of 31 December 2013 primarily because of increased procurement of raw materials due to the increased number of construction projects. Our trade and bills payables increased from RMB1,831.3 million as of 31 December 2013 to RMB2,615.2 million as of 31 December 2014 primarily because of increased procurement of raw materials due to increased number of construction projects. Our trade and bills payables decreased from RMB2,615.2 million as of 31 December 2014 to RMB2,509.3 million as of 30 June 2015 primarily due to a decrease in our trade payables because we made prepayments for a significant amount of raw materials procured during this period, which was partly offset by an increase in our bills payables because we issued more bills in order to maintain a steady flow of working capital. The increase in our trade and bills payables during the Track Record Period was in line with our expanded operations.

The following is an aged analysis of trade and bills payables presented based on the invoice date as of end of each reporting period:

	As of 31 December			As of 30 June
	2012	**2013**	**2014**	**2015**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Within six months	1,382.8	1,649.8	2,523.1	2,405.5
Six months to one year	0.6	27.1	31.3	60.5
One to two years	42.0	113.4	48.4	21.5
Two to three years	4.9	36.3	11.3	20.1
Over three years	0.6	4.7	1.1	1.7
Total trade and bills payables	**1,430.9**	**1,831.3**	**2,615.2**	**2,509.3**

The following table sets forth the average turnover days of our trade and bills payables for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	days	*days*	*days*	*days*
Average turnover days of trade and bills payables(1)	160	154	200	228

Note:

(1) Average turnover days of trade and bills payables for a period equal average trade and bills payables divided by cost of sales for the period and multiplied by 365 for a 12-month period or by 181 for a 6-month period. Average trade and bills payables are calculated as trade and bills payables at the beginning of the period plus trade and bills payables at the end of the period, divided by two.

Our average turnover days of trade and bills payables decreased from 160 days in 2012 to 154 days in 2013 in line with our ability to recover more trade receivables from customers during this period due to the strong real estate industry in China, which allowed us to settle our trade payables in a timely manner. Our average turnover days of trade and bills payables increased to 200 days in 2014, and further to 228 days for the six months ended 30 June 2015 mainly because our increased trade and bills receivables restricted our cash flow and limited our ability to settle trade payables in a timely manner. Our suppliers, construction subcontractors and labor subcontracting agents generally grant us a credit period of approximately three months. The discrepancy between our credit periods and average turnover days of trade and bills payables is primarily because we manage the settlement of trade and bills payables in accordance with our recovery of trade and bills receivables to manage cash flow. According to *Ipsos*, the credit periods granted to us by our suppliers, construction subcontractors and labor subcontracting agents are consistent with industry norms.

As of 31 October 2015, approximately RMB542.9 million, or 22.4%, of our trade payables as of 30 June 2015 were subsequently settled.

As of 31 October 2015, approximately RMB70.4 million, or 85.4%, of our bills payable as of 30 June 2015 were subsequently settled.

Our Directors confirm that we did not have material defaults in payment of trade and bills payables during the Track Record Period.

Other payables, advances from customers and accruals

Our other payables, advances from customers and accruals primarily consist of advances from customers, other taxes payable and other payables. Our advances from customers, which are mainly in relation to construction contracting projects, decreased from RMB68.6 million as of 31 December 2012 to RMB24.6 million as of 31 December 2013 primarily because we received advances for a number of our construction projects in 2012, which commenced construction in 2013, and such advances from customers were used to offset our trade receivables. Our advances from customers increased from RMB24.6 million as of 31 December 2013 to RMB60.6 million as of 31 December 2014 primarily because we undertook several new projects towards the end of 2014 for which we billed but have not commenced construction. Our advances from customers increased from RMB60.6 million as of 31 December 2014 to RMB82.4 million as of 30 June 2015 primarily because of an increase in advances we received from our customers in line with the increased number of construction projects we undertook.

Our other payables primarily comprise performance guarantees from our subcontractors and inter-company borrowings that we obtain. Our other payables decreased from RMB394.6 million as of 31 December 2012 to RMB220.4 million as of 31 December 2013, and further to RMB44.0 million as of 31 December 2014 primarily because of enhanced management and stricter implementation of our internal control policies related to inter-company borrowings, which significantly reduced the amount of our inter-company borrowings. Our other payables increased from RMB44.0 million as of 31 December 2014 to RMB67.2 million as of 30 June 2015, primarily because of an increase in performance guarantees from our subcontractors.

Our other taxes payable primarily comprises business tax. Our other taxes payable increased from RMB82.2 million as of 31 December 2012 to RMB92.0 million as of 31 December 2013, which was in line with our revenue growth. Our other taxes payable decreased from RMB92.0 million as of 31 December 2013 to RMB90.2 million as of 31 December 2014 primarily because of our fast settlement of individual income tax. Our other taxes payable increased from RMB90.2 million as of 31 December 2014 to RMB97.7 million as of 30 June 2015 primarily because of an increase in our business tax.

Capital Expenditures

Our capital expenditures consist primarily of expenditures for property, plant and equipment and intangible assets. The following table sets forth our capital expenditures for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Property, plant and equipment	6.2	12.2	12.0	0.3
Intangible assets	0.6	0.9	0.2	–
Total capital expenditures	**6.8**	**13.1**	**12.2**	**0.3**

Our capital expenditures increased from RMB6.8 million for the year ended 31 December 2012 to RMB13.1 million for the year ended 31 December 2013 primarily because of motor vehicles purchased and improvements made to our office building. Our capital expenditures decreased from RMB13.1 million for the year ended 31 December 2013 to RMB12.2 million for the year ended 31 December 2014 primarily because of our decreased investment in software. Our capital expenditures for the six months ended 30 June 2015 further decreased to RMB0.3 million primarily because we have made sufficient investments in the previous years to satisfy the needs of our business operations during this period.

In our capital expenditure plan for the six months ending 31 December 2015 and the year ending 31 December 2016, we intend to spend RMB0.2 million and RMB14.0 million, respectively, towards the purchase of new equipment and machinery for our construction contracting business. We anticipate that we will finance our capital expenditures using cash generated from our operations, bank borrowings and proceeds from the Global Offering. The estimated amounts of expenditures may vary from the actual amounts of expenditures for a variety of reasons, including changes in market conditions, competition and other factors. Taking into account the financial resources available to us, including cash generated from our operations, presently available credit facilities and estimated net proceeds from the Global Offering, our Directors believe we will have sufficient capital resources to satisfy our currently planned capital requirements. For more information on our business strategies and the use of proceeds from the Global Offering, see "Business – Our Business Strategies" and "Future Plans and Use of Proceeds," respectively.

Our current plan in respect of future capital expenditures is subject to changes based on the evolution of our business plan, including potential acquisitions, the progress of our capital projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures. Other than as required by law, we do not undertake any obligation to publish updates of our capital expenditure plans.

Current Assets and Liabilities

	As of 31 October 2015
	RMB million (unaudited)
Current assets	
Prepaid land lease payments	0.3
Inventories	4.1
Trade and bills receivables	368.5
Prepayments, deposits and other receivables	700.2
Amounts due from contract customers	2,712.4
Pledged deposits	12.5
Cash and cash equivalents	26.1
Total current assets	**3,824.1**
Current liabilities	
Trade and bills payables	2,162.6
Other payables, advances from customers and accruals	196.6
Amounts due to contract customers	74.5
Interest-bearing bank and other borrowings	678.4
Tax payable	102.7
Total current liabilities	**3,214.8**
Net current assets	**609.3**

Our net current assets increased from RMB555.1 million as of 30 June 2015 to RMB609.3 million as of 31 October 2015, the latest practicable date for determining our net current asset position, primarily due to a decrease in trade and bills payables by RMB346.7 million, partially offset by a decrease in prepayments, deposits and other receivables by RMB146.2 million.

Indebtedness

We operate in a capital-intensive business. During the Track Record Period, we financed our operations primarily through cash flows from operations, banking facilities, interest-bearing bank and other borrowings, inter-company borrowings, cash and cash equivalents available and cash flows from settlement of trade and bills receivables. As of 31 December 2012, 2013 and 2014, and 30 June 2015, we relied on interest-bearing bank and other borrowings and inter-company borrowings in the amount of RMB867.4 million, RMB754.8 million, RMB651.6 million and RMB606.5 million, respectively. The following table sets forth a summary of our interest-bearing bank and other borrowings as of the dates indicated:

	As of 31 December									As of 30 June			As of 31 October		
	2012			2013			2014			2015			2015		
	Effective interest rate %	*Maturity*	*RMB million*	*Effective interest rate %*	*Maturity*	*RMB million*	*Effective interest rate %*	*Maturity*	*RMB million*	*Effective interest rate %*	*Maturity*	*RMB million*	*Effective interest rate %*	*Maturity*	*RMB million*
Current															
Bank loans – mortgaged	5.8 – 7.8	2013	342.2	5.8 – 7.5	2014	233.8	6.0 – 7.5	2015	337.7	5.9 – 7.5	2015 – 2016	345.7	5.1 – 9.5	2015 – 2016	464.5
Bank loans – guaranteed	5.8 – 20.4	2013	159.6	6.2 – 21.6	2014	267.1	5.9 – 21.6	2015	230.9	5.1 – 21.6	2015 – 2016	251.9	5.1 – 21.6	2015 – 2016	213.9
Bank loans – other	4.7 – 5.5	2013	10.0	7.1 – 8.8	2014	80.0	5.3 – 5.7	2015	66.8	6.0	2015	3.0	–	–	–
			511.8			**580.9**			**635.4**			**600.6**			**678.4**

Our balance of interest-bearing bank and other borrowings remained relatively stable during the Track Record Period, with outstanding amount of RMB511.8 million, RMB580.9 million, RMB635.4 million and RMB600.6 million, respectively, as of 31 December 2012, 2013 and 2014, and 30 June 2015. Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank borrowings in China. Such covenants primarily include requirements for us to notify and obtain written approval from the lending bank in advance in certain events, including, among others, merger or consolidation, division, share transfer, investments in other companies and material debt financing. We are required to notify the lending bank of the occurrence of certain events, including but not limited to, material financial losses, bankruptcy, dissolution, material connected transactions, as well as litigations or penalties that have a material impact on our operations and financial condition.

As of 30 June 2015, certain of our outstanding bank borrowings contained financial covenants that impose restrictions on our financial condition and operating results. Pursuant to several bank borrowing agreements entered into with China Construction Bank Tongxiang Branch, we agreed that: (i) our debt to assets ratio should not exceed 87%; and (ii) our current ratio should not be less than 1.1. These financial covenants did not have a material and adverse effect on our ability to undertake additional debt or equity financing during the Track Record Period. We marginally met these financial covenants and the relevant bank confirmed that we did not violate any of these covenants during the Track Record Period and up to 1 October 2015, which is the effective date for the bank's cancellation of such financial covenants. During the Track Record Period, we complied with all the covenants of our bank borrowing agreements and did not experience any difficulties in obtaining bank borrowings. Save as disclosed above, none of our bank borrowings and facilities are subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants.

As of 31 October 2015, the latest practicable date for determining our indebtedness, we had RMB1,122.7 million of banking facilities (including both bank loans and letters of guarantee) made available to us, of which RMB673.3 million was utilized as general working capital. Our Directors confirm that we did not have material defaults in payment of bank and other borrowings during the Track Record Period. Since 30 June 2015, being the latest date of our audited financial statements, there has been no adverse change to our indebtedness.

Certain of our bank borrowings were jointly guaranteed by the Controlling Shareholders and other related parties of our Group during the Track Record Period. Such guarantees have been released as of the Latest Practicable Date. Certain of our bank borrowings were secured by mortgages over buildings we own, which had aggregate carrying values of RMB97.9 million, RMB102.4 million, RMB100.0 million and RMB98.2 million as of 31 December 2012, 2013 and 2014, and 30 June 2015, respectively.

Given our credit history and relationship with our principal lenders and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank and other borrowings notwithstanding the recent global financial market volatility.

Contingent liabilities

As of 31 December 2012, 2013 and 2014, and 30 June 2015, we provided guarantees to banks in connection with facilities granted to third parties of RMB249.0 million, RMB321.0 million, RMB251.0 million and RMB109.0 million, respectively. Such Independent Third Parties were owned by individuals with business and/or personal relationships with our Directors and needed a guarantor for bank loans to supply their working capital based on their actual working capital needs. Such guarantees have been discharged as of the Latest Practicable Date and we will no longer engage in such practice after Listing. As of the Latest Practicable Date, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Commitments

Capital commitments

We did not have capital commitment at the end of each year or period during the Track Record Period.

Operating lease commitments

The following table sets forth our commitments for future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of 31 December			As of 30 June
	2012	2013	2014	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*
Within one year	–	0.4	1.0	1.2
In the second to fifth years, inclusive	–	0.6	0.8	0.4
After five years	–	–	–	–
	–	**1.0**	**1.8**	**1.6**

Related Party Transactions

During the Track Record Period, we: (i) provided mainly construction contracting services to; (ii) received labor services from; (iii) had inter-company borrowings with; (iv) purchased raw materials from; and (v) had interest income from, our related parties.

Provision of construction contracting services

During the Track Record Period, we had certain related party transactions with fellow subsidiaries and associates of fellow subsidiaries in the normal course of business. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, we generated RMB379.1 million, RMB628.8 million, RMB388.5 million and RMB197.8 million in revenue, respectively, from our provision of construction contracting services to our related parties.

Receive labor services

We paid Jujiang Labor RMB766.8 million, RMB957.2 million, RMB1,018.7 million and RMB189.7 million for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, respectively, for the labor services provided to us. Jujiang Labor was a related party during the Track Record Period and was sold to Independent Third Parties on 15 August 2015. For more information, see "Business – Subcontracting – Labor Subcontracting."

Inter-company borrowings

For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, our cash outflow in relation to inter-company borrowings with our related parties amounted to RMB1,070.4 million, RMB1,332.9 million, RMB1,063.3 million and RMB865.6 million, respectively. During the same periods, our cash inflow in relation to inter-company borrowings with our related parties amounted to RMB650.7 million, RMB1,431.0 million, RMB1,231.0 million and RMB1,125.8 million, respectively. Such borrowings were settled on or before 19 August 2015.

Purchase of raw materials

During the Track Record Period, we purchased raw materials from Tongxing Concrete, of which Mr. Lv Yaoneng, a Controlling Shareholder, is a director. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, our raw material purchase from Tongxing Concrete amounted to RMB22.7 million, RMB31.0 million, RMB24.3 million and RMB17.3 million, respectively.

Interest income

We received interest income of RMB12.1 million for the year ended 31 December 2012 from fellow subsidiaries for certain of the inter-company borrowings we obtained. We did not receive any other interest income from inter-company borrowings during the Track Record Period.

The related party transactions disclosed in "– Related Party Transactions" and in Note 35 under Section II to the Accountants' Report set out as Appendix I to this Prospectus include transactions with associates of our Group's fellow subsidiaries in which our fellow subsidiaries hold less than 30% equity interest, in accordance with IFRS, whereas such transactions are not connected transactions as defined under Chapter 14A of the Listing Rules.

With respect to the material related party transactions set out in Note 35 under Section II to the Accountants' Report set out as Appendix I to this Prospectus, our Directors believe that such transactions were conducted on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

As of 31 December 2012, 2013 and 2014, and 30 June 2015, certain of our bank borrowings were jointly guaranteed by the Controlling Shareholders and other related parties of our Group. Such guarantees have been released as of the Latest Practicable Date.

Key Financial Ratios

The following tables set forth certain key financial ratios as of the dates or for the periods indicated:

	For the year ended/ As of 31 December			For the six months ended/ As of 30 June
	2012	**2013**	**2014**	**2015**
Return on average equity ratio(1)	11.8%	11.3%	13.1%	N/A(8)
Return on average assets ratio(2)	1.6%	1.9%	2.1%	N/A(8)
Current ratio(3)	1.1	1.1	1.1	1.2
Quick ratio(4)	1.1	1.1	1.1	1.2
Debt to asset ratio(5)	84.6%	82.7%	84.2%	83.1%
Interest coverage(6)	2.4	2.8	3.7	3.7
Gearing ratio(7)	164.6%	107.7%	86.3%	72.3%

Notes:

(1) Return on average equity ratio represents profit divided by average balance of total equity as of the beginning and end of a year/period.

(2) Return on average asset ratio represents profit divided by average balance of total assets as of the beginning and end of a year/period.

(3) Current ratio represents current assets divided by current liabilities as of the end of a year/period.

(4) Quick ratio represents current assets excluding inventories divided by current liabilities as of the end of a year/period.

(5) Debt to asset ratio represents total liabilities divided by total assets as of the end of a year/period.

(6) Interest coverage represents the profit before interest and tax divided by the interest expense for the respective year/period.

(7) Gearing ratio represents net debt divided by total equity as of the end of a year/period. Net debt is defined as all borrowings deducted by cash and bank balances and pledged deposits.

(8) Such ratio is not meaningful as it is not comparable to annual numbers.

The return on average equity ratio decreased from 11.8% as of 31 December 2012 to 11.3% as of 31 December 2013 primarily because of the increase in total equity due to capital contributions by beneficial Shareholders of RMB120.0 million in 2012, compared to a lesser increase in total equity due to capital contributions by beneficial Shareholders of RMB50.0 million in 2013, which was offset by an increase in our net profit from RMB46.7 million in 2012 to RMB60.7 million in 2013. The return on average equity ratio increased from 11.3% as of 31 December 2013 to 13.1% as of 31 December 2014 primarily because of the increase in our net profit from RMB60.7 million in 2013 to RMB82.8 million in 2014.

The return on average assets ratio increased from 1.6% as of 31 December 2012 to 1.9% as of 31 December 2013 and further increased to 2.1% as of 31 December 2014 primarily because of the increase in our net profit.

The current ratio remained at similar levels during the Track Record Period primarily because the increase in amounts due from contract customers, being the main component of our current assets, was offset by the increase in trade and bills payables, being the main component of our current liabilities, during the Track Record Period. The increase in our current assets and current liabilities was in line with our business growth.

The quick ratio remained at similar levels during the Track Record Period primarily because the increase in amounts due from contract customers, being the main component of our current assets, was offset by the increase in trade and bills payables, being the main component of our current liabilities, during the Track Record Period. As our inventory represented less than 0.1% of our current assets during the Track Record Period, changes in inventory levels did not have a significant impact on quick ratio.

The debt to asset ratio decreased from 84.6% as of 31 December 2012 to 82.7% as of 31 December 2013 mainly due to the increase in amounts due from contract customers, being the main component of our current assets. The debt to asset ratio increased from 82.7% as of 31 December 2013 to 84.2% as of 31 December 2014 primarily because of the increase in trade and bills payables, being the main component of our current liabilities. The debt to asset ratio decreased slightly from 84.2% as of 31 December 2014 to 83.1% as of 30 June 2015 primarily because of a decrease in our trade and bills payables, being the main component of our current liabilities, and an increase in amounts due from contract customers, being the main component of our current assets.

Our interest coverage increased from 2.4 for the year ended 31 December 2012 to 2.8 for the year ended 31 December 2013, and further to 3.7 for the year ended 31 December 2014 primarily because our interest expense remained at similar levels while our profit before interest and tax increased significantly in line with our expanded business. Our interest coverage remained stable at 3.7 for the year ended 31 December 2014 and the six months ended 30 June 2015 primarily because our interest expense grew at similar rates as our profit before interest and tax in line with our expanded business.

We manage our capital structure to safeguard our ability to provide returns to Shareholders and benefits to other stakeholders by pricing services commensurately with the level of risk. We monitor capital using a gearing ratio. We aim to maintain the gearing ratio at a healthy capital level in order to support our business by pursuing the following strategies, among others: (i) reviewing future cash flow requirements and our ability to meet debt repayment schedules when they fall due; (ii) maintaining a reasonable level of available banking facilities; and (iii) adjusting investment plans and financing plans, if necessary. Our gearing ratio decreased from 164.6% as of 31 December 2012 to 107.7% as of 31 December 2013, then further to 86.3% as of 31 December 2014 and to 72.3% as of 30 June 2015. The steady decrease in our gearing ratio is primarily due to a steady decrease in our inter-company borrowings as we enhanced our internal control over such borrowings and a steady increase in our total equity as of these dates.

Off-balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving another entity under which we have made guarantees or any obligation arising out of a material variable interest in another entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging, or research and development arrangements with us. As of 30 June 2015, we did not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

The main risks arising from our financial instruments are interest rate risk, credit risk and liquidity risk. Generally, our senior management meets regularly to analyze and formulate measures to manage our exposure to these risks. In addition, our Board holds meetings regularly to analyze and approve the proposals made by the senior management of the Company. Generally, we introduce conservative strategies on our risk management. As our exposure to these risks is kept to minimum, we have not used any derivatives and other instruments for hedging purposes. We do not hold or issue derivative financial instruments for trading purposes. Our Board reviews and agrees policies for managing each of these risks summarized below.

Interest rate risk

Our exposure to market risk for changes in interest rates relates primarily to our interest-bearing bank and other borrowings. We do not use derivative financial instruments to hedge our interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of our profit before tax, through the impact on floating rate borrowings:

Increase/(decrease) in basis points of the benchmark deposit and lending rate of RMB	Increase/(decrease) in profit before tax			
	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
100	(2,377)	(2,237)	(2,411)	(3,106)
(100)	2,377	2,237	2,411	3,106

Credit risk

The carrying amounts of cash and bank balances, pledged deposits, trade and bills receivables, and financial assets included in prepayments, deposits and other receivables represent our maximum exposure to credit risk in relation to financial assets. Substantially all of our cash and bank balances and pledged deposits are held in major financial institutions located in the PRC, which our senior management believes are of high credit quality. We have policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

We trade only with recognized and creditworthy customers with no requirement for collateral. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

Further quantitative data in respect of our exposure to credit risk arising from trade and bills receivables are disclosed in Note 22 under Section II of the Accountants' Report set out as Appendix I in this Prospectus.

Liquidity risk

Our liquidity is primarily dependent on our ability to maintain adequate cash inflows from operations to meet our debt obligations as they fall due, and our ability to obtain external financing to meet our committed future capital expenditure.

The maturity profile of our financial liabilities as of the dates indicated, based on the contractual undiscounted payments, is as follows:

	Within one year	**One to five years**	**Over five years**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*
31 December 2012				
Trade and bills payables	1,430.9	–	–	1,430.9
Financial liabilities included in other payables, advances from customers and accruals	531.4	19.2	–	550.6
Interest-bearing bank and other borrowings	527.9	–	–	527.9
Guarantees given to banks in connection with facilities granted to third parties	148.9	–	–	148.9
Total	**2,639.1**	**19.2**	**–**	**2,658.3**

	Within one year	One to five years	Over five years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
31 December 2013				
Trade and bills payables	1,831.3	–	–	1,831.3
Financial liabilities included in other payables, advances from customers and accruals	329.5	14.3	–	343.8
Interest-bearing bank and other borrowings	596.1	–	–	596.1
Guarantees given to banks in connection with facilities granted to third parties	213.1	–	–	213.1
Total	**2,970.0**	**14.3**	**–**	**2,984.3**
31 December 2014				
Trade and bills payables	2,615.2	–	–	2,615.2
Financial liabilities included in other payables, advances from customers and accruals	190.1	11.9	–	202.0
Interest-bearing bank and other borrowings	652.1	–	–	652.1
Guarantees given to banks in connection with facilities granted to third parties	171.0	–	–	171.0
Total	**3,628.4**	**11.9**	**–**	**3,640.3**
30 June 2015				
Trade and bills payables	2,509.4	–	–	2,509.4
Financial liabilities included in other payables, advances from customers and accruals	217.6	37.8	–	255.4
Interest-bearing bank and other borrowings	621.7	–	–	621.7

	Within one year	One to five years	Over five years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
Guarantees given to banks in connection with facilities granted to third parties	74.7	–	–	74.7
Total	**3,423.4**	**37.8**	**–**	**3,461.2**

DIVIDEND

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Company Law to its 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 our Shareholders. This reserve fund can be utilized in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

We paid cash dividends of RMB2.8 million in 2012. We did not declare or pay dividends for the years ended 31 December 2013 and 2014, and the six months ended 30 June 2015. Our dividend distributions during the Track Record Period had complied with the statutory reserve requirements in the PRC. Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital, financial position, capital adequacy ratio, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors which our Board of Directors may consider relevant. We currently have no plans to pay dividends to the Shareholders in the foreseeable future. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy and there is no assurance that we will be able to declare or distribute any dividend in the future.

DISTRIBUTABLE RESERVES

As of 30 June 2015, we had reserves available for distribution to our Shareholders in an aggregate amount of RMB108.7 million.

LISTING EXPENSES

The total estimated listing expenses (including underwriting commissions) in connection with the Global Offering are HK$32.7 million assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.35 per Share, being the mid-point of the indicative Offer Price range, and during the Track Record Period, we incurred listing expenses amounting to HK$16.5 million, among which HK$12.5 million has been charged to the profit and loss and HK$4.0 million was capitalized as deferred expenses, which is expected to be charged against equity upon successful listing under the relevant accounting standards. We estimate that the listing expenses to be incurred and charged to the profit and loss before or upon completion of the Listing will be HK$8.0 million and HK$8.2 million will be capitalized. The listing expenses above are an estimate as of the latest practicable date for determining such expenses and are for reference only. The actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations in 2015.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statements of our unaudited pro forma adjusted net tangible assets attributable to our Shareholders are prepared based on our consolidated net tangible assets attributable to our Shareholders as of 30 June 2015, adjusted as described below. The unaudited pro forma adjusted net tangible assets attributable to our Shareholders have been prepared for illustrative purposes only, and because of their nature, they may not give a true picture of our financial position as of 30 June 2015 or any future date following the Global Offering.

The statements of unaudited pro forma adjusted net tangible assets attributable to our Shareholders have been prepared to show the effect on our consolidated net tangible assets attributable to our Shareholders as of 30 June 2015 as if the Global Offering had occurred on 30 June 2015. The unaudited pro forma adjusted net tangible assets per Share attributable to our Shareholders is calculated in accordance with Listing Rules 4.29.

	Consolidated net tangible assets attributable to Shareholders of the Company as of 30 June 2015(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an Offer Price of HK$1.25 per Share	715,023	129,352	844,375	1.58	1.90
Base on an Offer Price of HK$1.45 per Share	715,023	150,960	865,983	1.62	1.94

Notes:

(1) The consolidated net tangible assets attributable to the Shareholders of the Company as of 30 June 2015 are extracted from the Accountants' Report set out in Appendix I in this Prospectus, which is based on the consolidated net assets attributable to the Shareholders of the Company as of 30 June 2015 of RMB716.2 million after deducting intangible assets of RMB1.2 million.

(2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK$1.25 and HK$1.45, after deducting the underwriting fees and other related expenses payable by the Company, without taking account of the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into Renminbi at the PBOC rate of HK$1.00 = RMB0.83529 prevailing on 21 December 2015.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 533,360,000 Shares, being the number of shares in issue assuming that the Global Offering had been completed on 30 June 2015, without taking account of the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share in RMB is converted into Hong Kong dollars at HK$1.00 = RMB0.83529 prevailing on 21 December 2015.

PROPERTY INTERESTS AND PROPERTY VALUATION

For the purpose of the Listing, DTZ has valued the property interests of our Group at RMB119.2 million as of 31 October 2015. Particulars of our property interests are set out in Appendix III of this Prospectus.

A reconciliation of our property interests and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set forth below:

	RMB million
Net book value of property interests as of 30 June 2015 per Accountants' Report set out in Appendix I to this Prospectus	98.2
Movements for the period from 1 July 2015 to 31 October 2015	(1.4)
Net book value of property interests as of 31 October 2015	96.8
Valuation surplus	22.4
Valuation as of 31 October 2015 per Property Valuation Report set out in Appendix III to this Prospectus	119.2

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that, as of the date of this Prospectus, there had been no material adverse change in our financial or trading position or prospects since 30 June 2015 and up to the date of this Prospectus.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Hong Kong Listing Rules.

FUTURE PLANS AND PROSPECTS

See "Business – Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of HK$167.8 million (equivalent to approximately RMB140.2 million) from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.35 per Share, being the mid-point of the indicative Offer Price range. We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 65%, or approximately HK$109.1 million, to be used to fund new construction projects that we undertake;

- approximately 20%, or approximately HK$33.5 million, to be used to repay the principal of and interest on our loans on or before their respective maturity dates. The interest rates charged to these bank loans range from 7.0% to 21.6% and the maturity dates of these bank loans are one year or less. These bank loans were used as working capital on our construction projects;

- approximately 10%, or approximately HK$16.8 million, to be used to invest in new equipment and machinery to undertake larger-scale and more complex construction projects in or before 2017;

- approximately 5%, or approximately HK$8.4 million, for general corporate purposes.

For more information on our expansion plan after the Global Offering, see "Business – Our Business Strategies."

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares will be approximately HK$26.1 million, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK$1.35 per Share, being the mid-point of the indicative Offer Price range. We intend to use such additional net proceeds for the above uses on a pro rata basis.

If the Offer Price is fixed at HK$1.45 per H Share, being the high-end of the indicative Offer Price range, we will receive additional net proceeds of approximately HK$12.9 million. If the Offer Price is fixed at HK$1.25 per H Share, being the low-end of the indicative Offer Price range, the net proceeds we receive will be reduced by approximately HK$12.9 million. If the Offer Price is set above the mid-point of the indicative Offer Price range, we intend to apply the additional amounts towards to the above uses on a pro rata basis. If the Offer Price is set below the mid-point of the indicative Offer Price range, we intend to reduce the amounts allocated to the above uses on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into our accounts with licensed financial institutions.

HONG KONG UNDERWRITERS

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Guotai Junan Securities (Hong Kong) Limited

Co-Lead Manager

Supreme China Securities Limited

Co-Managers

Ever-Long Securities Company Limited
Great Roc Capital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 13,336,000 Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this Prospectus and the Application Forms.

Subject to: (i) the Listing Committee granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option) as mentioned herein; and (ii) certain other conditions set forth in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator (on behalf of the Underwriters) and the Company agreeing on the Offer Price), the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions or amounts (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering, on and subject to the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) shall be entitled to terminate the Hong Kong Underwriting Agreement with immediate effect by notice, orally or in writing, to the Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date if any of the following events shall occur prior to such time:

(a) there shall develop, occur, or come into force:

(i) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in Hong Kong, the PRC or any other jurisdiction(s) relevant to the Company and its subsidiaries or any other similar event which in the reasonable opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of the Group or which may be expected to adversely affect the business or financial condition or prospects of the Group in a material way; or

(ii) any new law or regulation or any change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC or any other jurisdiction(s) relevant to the Company and its subsidiary or any other similar event which in the reasonable opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of the Group or which may be expected to adversely affect our business or financial condition or prospects of the Group in a material way; or

(iii) without prejudice to sub-paragraph (ii) of paragraph above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(iv) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) would or might have a material adverse effect on any member of the Group; or

(v) any litigation or claim of material importance to the business, financial or operations of the Group being threatened or instituted against any member of the Group; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, the PRC or any other jurisdiction(s) relevant to the Company and its subsidiaries; or

(vii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or Director or Supervisor of the Company; or

(viii) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, the PRC or any other jurisdiction(s) to which any member of the Group is subject or the implementation of any exchange controls which in the reasonable opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) would or might have a material adverse effect on any member of the Group; or

(ix) order or petition for the winding up of any members of the Group or any composition or arrangement made by any members of the Group with its creditors or a scheme of arrangement entered into by any members of the Group or any resolution for the winding up of any members of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of the Group or anything analogous thereto occurring in respect of any members of the Group;

which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters), (i) has or may have a material adverse effect on the success of the Global Offering, or the level of applications under the Hong Kong Public Offer or the level of interest under the International Offering; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of the Group as a whole; or (iii) makes it inadvisable or impracticable to proceed with the Global Offering; or (iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

(b) there comes to the notice of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) in its reasonable opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on the Company or the covenantors under the Hong Kong Underwriting Agreement not to have been complied with in any respect considered by the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) in its reasonable opinion to be material; or

(c) there comes to the notice of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) any breach on the part of the Company or any of the covenantors of any provisions of the Hong Kong Underwriting Agreement in any respect which is considered by the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) in its reasonable opinion to be material to the Global Offering; or

(d) any statement contained in the Prospectus, notices, Application Forms, formal notice, advertisements, announcements, application proof prospectus, post hearing information pack, the submissions, documents or information provided to the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters), the Stock Exchange, the legal adviser to the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager and the Underwriters and any other parties involved in the Global Offering which have been approved by the Company to be issued or used by on behalf of the Company in connection with the Global Offering (collectively, the "**Offer Documents**"), which in the reasonable opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

(e) matters have arisen or have been discovered which would, if the Offer Documents were to be issued at that time, constitute, in the reasonable opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters), a material omission of such information; or

(f) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of the Group which in the reasonable opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) is material; or

(g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Offer Shares under the Global Offering is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) any expert, who has given opinion or advice which are contained in the Prospectus, has withdrawn its respective consent to the issue of the Prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of the Prospectus; or

(i) the Company withdraws the Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(j) there comes to the notice of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager or any of the Underwriters any information, matter or event which in the reasonable opinion of the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters):

    (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form H) given by any Directors pursuant to the Global Offering; or

    (ii) would cast any serious doubt on the integrity or reputation of any Director or reputation of the Group.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, 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 issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or in the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and to the Company that, except pursuant to the Global Offering (including the Over-allotment Option), he/it will not and will procure that the relevant registered holder(s) will not, without the prior written consent of the Hong Kong Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholdings in the Company is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares in respect of which he/it is shown by this Prospectus to be the beneficial owners; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would then cease to be a Controlling Shareholder of the Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to the Hong Kong Stock Exchange and to the Company that within the period commencing on the date by reference to which disclosure of his/its shareholdings is made in this Prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any Shares beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the matters mentioned in (a) and (b) above by any of the Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), we have undertaken to each of the Sole Sponsor, Sole Global Coordinator and the Hong Kong Underwriters that, at any time during the First Six-Month Period, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other members of our Group, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such members of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) offer to or agree to, or publicly announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

whether any of the foregoing transactions described in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such members of our Group, as applicable, in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). The Company further agrees that, in the event that we enter into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or publicly announces any intention to effect any such transaction during the Second Six-Month Period, we shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other securities of the Company. Each of our Company, Controlling Shareholders and executive Directors undertakes to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters to procure the Company to comply with the undertakings in this paragraph.

Undertakings by the Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of the Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that without the prior written consent of the Sole Global Coordinator and unless in compliance with the Listing Rules:

(a) at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six-Month Period"), he/it will not:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or agree to, or publicly announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above, in each case,

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) during the period of six months commencing on the date on which the First Six-Month Period expires and including, the date that is six months after the end of the First Six-Month Period (the "Second Six-Month Period"), enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transactions if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any options, rights, interests or encumbrances pursuant to such transactions, the Controlling Shareholders will collectively cease to constitute a Controlling Shareholder of the Company (for the purpose of the Listing Rules);

(c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the foregoing transactions specified in paragraphs (a) (i) or (a) (ii) or (a) (iii) above or offers to or agrees to, or announces any intention to effect any such transactions, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the Shares; and

(d) save with the prior written consent from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to the extent as allowed under the

Listing Rules, during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this Prospectus and ending on the date which is 12 months from the Listing Date, he/it shall not and shall procure that none of his/its close associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him/it or any of their close associates or in which he/it or any of their close associates is, directly or indirectly, interested immediately following completion of the Global Offering (or any other Shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise) or any share or interest in any company controlled by him/it or any of their close associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

(e) in the event that notification is given to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), when he/it or any of their close associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in (i) above, he/it shall give prior written notice of not less than two business days to the Stock Exchange, the Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the "Mortgagee") in favour of whom the pledge, charge, encumbrance or interest is created and further if he/it or any of their close associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in (i) above, he/it will immediately notify the Stock Exchange, the Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, the Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) as they may require.

The Company undertakes and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that we shall forthwith inform the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after we have been informed of the matters referred to in paragraph (ii) above and we shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

Each of the Company, Controlling Shareholders and executive Directors undertakes to and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that save with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), no company in our Group will during the First Six-Month Period purchase any securities of the Company.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will, severally and not jointly, agree to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, on or before a date, being the 30th day from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to issue and allot up to an aggregate of 19,935,000 additional H Shares, representing in aggregate approximately 14.95% of the number of the H Shares initially available under the Global Offering at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% of the Offer Price) to cover over-allocations, if any, in the International Offering.

Commission and Expenses

The Hong Kong Underwriters will receive a gross commission of 4.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. The commissions payable to the Underwriters will be borne by the Company with respect to the new Offer Shares to be issued by the Company (including pursuant to the exercise of the Over-allotment Option).

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to HK$32.7 million in total (based on the mid-point of our indicative price range of the Global Offering and assuming the Over-allotment Option is not exercised).

Hong Kong Underwriters' Interests in the Company

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Guotai Junan Securities (Hong Kong) Limited is the Sole Global Coordinator and the Sole Bookrunner.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of 13,336,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described in "– The Hong Kong Public Offering;" and

(b) the International Offering of 120,024,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) to professional and institutional investors as described in "– The International Offering."

The Offer Shares will represent approximately 25.0% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital of the Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set forth in "Underwriting – Underwriting Arrangements and Expenses – International Offering – International Underwriting Agreement."

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in "– The Hong Kong Public Offering – Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

The Company is initially offering 13,336,000 H Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 133,360,000 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of H Shares initially offered under the Hong Kong Public Offering will represent 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Allocation

For allocation purposes only, the 13,336,000 H Shares initially being offered under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 6,668,000 Hong Kong Offer Shares and Pool B comprising 6,668,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong

Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation and Clawback

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering when certain prescribed total demand levels are reached.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment under the Listing Rules. If the number of H Shares validly applied for under the Hong Kong Public Offering represents: (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 40,008,000, 53,344,000 and 66,680,000 H Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected applications and any application for more than 50% of the 13,336,000 H Shares initially comprised in the Hong Kong Public Offering (that is 6,668,000 Hong Kong Offer Shares) are liable to be rejected.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.45 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "– Pricing and Allocation" is less than the maximum price of HK$1.45 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares."

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered under the International Offering will be 120,024,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and 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 relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and our Shareholders as a whole.

Reallocation

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in "– The Hong Kong Public Offering – Reallocation and Clawback," exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator at its sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require the Company to issue and allot up to an aggregate of 19,935,000 Shares representing in aggregate approximately 14.95% of the initial number of the Offer Shares at the Offer Price to cover over-allocations in the International Offering, if any. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws and regulations.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 5 January 2016 and, in any event, not later than Friday, 8 January 2016.

The Offer Price will be not more than HK$1.45 and is currently expected not to be less than HK$1.25, unless otherwise announced as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus. If, for any reason, the Offer Price is not agreed by Friday, 8 January 2016 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that 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, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Tuesday, 5 January 2016, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**, and on the Company's website at **www.jujiang.cn** notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set forth in "Summary and Highlights" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Sole Global Coordinator (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants 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.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Sole Global Coordinator.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Monday, 11 January 2016 through a variety of channels as described in "How to Apply for Hong Kong Offer Shares – 11. Publication of Results."

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager and/or its affiliates or any person acting for it (on behalf of the Underwriters) may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of H Shares will be affected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of Shares that may be issued and/or sold under the Over-allotment Option, namely 19,935,000 Shares, which is approximately 14.95% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; (v) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;

(b) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;

(c) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;

(d) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Friday, 5 February 2016, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the Shares, could fall;

(e) the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

(f) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

The Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 19,935,000 H Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and the Company on the Price Determination Date.

We expect that the Company will, on or about Tuesday, 5 January 2016, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, inter alia:

- the Listing Committee granting the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) (subject only to allotment and despatch of the H Share certificates in respect thereof and such other normal conditions acceptable to the Company and the Sole Global Coordinator, on behalf of the Underwriters) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Hong Kong Stock Exchange;

- the Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Hong Kong Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements;

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this Prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in "How to Apply for Hong Kong Offer Shares." In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

H Share certificates for the Offer Shares are expected to be issued on Monday, 11 January 2016 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Tuesday, 12 January 2016, provided that: (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares prior to the receipt of H Share certificates or prior to the H Share certificates bearing valid certificates of title do so entirely at their own risk.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange 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 Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 12 January 2016, it is expected that dealings in H Shares on the Hong Kong Stock Exchange will commence on Tuesday, 12 January 2016. Our H Shares will be traded in board lots of 2,000 H Shares each.

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 **HK eIPO White Form** at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator 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 **HK eIPO White Form** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company;
- a Director or chief executive officer of the Company;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 December 2015 till 12:00 noon on Tuesday, 5 January 2016 from:

(a) any of the following offices of the Hong Kong Underwriters:

Guotai Junan Securities (Hong Kong) Limited	27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

Supreme China Securities Limited	Room D - F, 17/F. Hang Seng Tsuen Wan Building 289 Sha Tsui Road Tsuen Wan Hong Kong
Ever-Long Securities Company Limited	18/F Dah Sing Life Building 99-105 Des Voeux Road Central Hong Kong
Great Roc Capital Securities Limited	Suite 3712 37/F West Tower Shun Tak Center 168-200 Connaught Road Central Hong Kong

(b) any of the following branches or sub-branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	Branch/Sub-Branch Name	**Address**
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Chai Wan Sub-Branch	G/F., 121-121A Wan Tsui Road, Chai Wan Cinema Building, Chai Wan
Kowloon	Tsim Sha Tsui Sub-Branch	Shop Nos.1-3 on G/F., CFC Tower, 22-28 Mody Road, Tsim Sha Tsui
New Territories	Tseung Kwan O Sub-Branch	Shops Nos. 252A, 252B, 253-255 on Podium Level 2, Metro City Phase I, Tseung Kwan O
	Tai Po Sub-Branch	Shop No.1, 2, 26 & 27, G/F., Wing Fai Plaza, 29-35 Ting Kok Road, Tai Po

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 December 2015 till 12:00 noon on Tuesday, 5 January 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. – Jujiang Construction Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches or sub-branches of the receiving banks listed above, at the following times:

Wednesday, 30 December 2015	–	9:00 a.m. to 5:00 p.m.
Thursday, 31 December 2015	–	9:00 a.m. to 5:00 p.m.
Saturday, 2 January 2016	–	9:00 a.m. to 1:00 p.m.
Monday, 4 January 2016	–	9:00 a.m. to 5:00 p.m.
Tuesday, 5 January 2016	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 5 January 2016, the last application day or such later time as described in "– 10. Effect of Bad Weather on the Opening of the Application Lists."

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 **HK eIPO White Form**, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(c) 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;

(d) 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;

(e) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;

(f) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, affiliates, 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);

(g) 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;

(h) agree to disclose to the Company, our H Share Registrar, the receiving banks, the Sole Global Coordinator, 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;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) 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;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorize the Company to place your name(s) on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have collected the H Share certificate(s) and/or refund cheque(s) in person;

(p) 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;

(q) understand that the 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;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that: (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "– 2. Who Can Apply" may apply through **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the HK eIPO White Form Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of **HK eIPO White Form** service.

Time for Submitting Applications Under the HK eIPO White Form

You may submit your application to the HK eIPO White Form Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 30 December 2015 until 11:30 a.m. on Tuesday, 5 January 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 5 January 2016 or such later time in "– 10. Effect of Bad Weather on the Opening of the Application Lists."

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** 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 **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) 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;

(b) 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 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;

- (if the electronic applications are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the 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;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;

- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, affiliates, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;

- agrees with the Company, for itself and for the benefit of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (i) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (ii) that any award made in such arbitration shall be final and conclusive; and

  (iii) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agrees with the Company (for the Company itself and for the benefit of each Shareholder of the Company) that H Shares in the Company are freely transferable by their holders; and

- authorizes the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of the Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 H Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 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

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Wednesday, 30 December 2015	–	9:00 a.m. to 8:30 p.m.(1)
Thursday, 31 December 2015	–	8:00 a.m. to 8:30 p.m.(1)
Saturday, 2 January 2016	–	8:00 a.m. to 1:00 p.m.(1)
Monday, 4 January 2016	–	8:00 a.m. to 8:30 p.m.(1)
Tuesday, 5 January 2016	–	8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, 30 December 2015 until 12:00 noon on Tuesday, 5 January 2016 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, 5 January 2016, the last application day or such later time as described in "– 10. Effect of Bad Weather on the Opening of the Application Lists."

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, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the 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 **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/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 Tuesday, 5 January 2016.

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 **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

*"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.*

*"**Statutory control**" means you:*

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer 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 **HK eIPO White Form** 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.hkeipo.hk.**

If your application is successful, brokerage will be paid to the Exchange Participants, and SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering – Pricing and Allocation."

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 Tuesday, 5 January 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 5 January 2016 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 11 January 2016 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on the Company's websites at **www.jujiang.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 the Company's websites at **www.jujiang.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Monday, 11 January 2016;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 11 January 2016 to 12:00 midnight on Friday, 15 January 2016;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 11 January 2016 to Thursday, 14 January 2016 on a Business Day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 11 January 2016 to Wednesday, 13 January 2016 at all the receiving bank's designated branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

If Your Application is Revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Hong Kong 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.

If the Company or Its Agents Exercise Their Discretion to Reject Your Application:

The Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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 the Company of that longer period within three weeks of the closing date of the application lists.

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 **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the 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 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.45 per H Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" 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 Monday, 11 January 2016.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per H 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 H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on Monday, 11 January 2016. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Tuesday, 12 January 2016 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 January 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H 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 H Share certificate(s) will be sent to the address on the relevant Application Form on Monday, 11 January 2016, by ordinary post and at your own risk.

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 Monday, 11 January 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 11 January 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

- For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

- The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "– 11. Publication of Results." You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 11 January 2016 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.

If you apply through HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 January 2016, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 11 January 2016 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-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 11 January 2016, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "– 11. Publication of Results" on Monday, 11 January 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 11 January 2016 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 Monday, 11 January 2016. 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 H 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 Monday, 11 January 2016.

15. H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report on Jujiang Construction Group Co., Ltd., prepared for the purpose of incorporation in this prospectus received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

30 December 2015

The Directors
Jujiang Construction Group Co., Ltd.
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information of Jujiang Construction Group Co., Ltd. (巨匠建設集團股份有限公司, the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2012, 2013 and 2014 and 30 June 2015, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 June 2014 (the "Interim Comparative Information"), for inclusion in the prospectus of the Company dated 30 December 2015 (the "Prospectus") in connection with the listing of the Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company, formerly known as Qitang Commune Construction Agency, was established in the People's Republic of China (the "PRC") on 25 October 1965 as a collective economy agency (集體經濟社). In July 1996, the Company was converted into a company with limited liability. The Company became a joint stock company with limited liability on 29 December 2014 and changed its name to Jujiang Construction Group Co., Ltd. in preparation for the listing. The statutory accounts of the Company for the years ended 31 December 2012, 2013 and 2014 were audited by Truth Certified Accountants (求真會計師事務所), a certified public accounting firm in the PRC.

As at the date of this report, the Company has direct interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the PRC ("PRC GAAP"). Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(A) Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Section II Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Six months ended 30 June 2014 RMB'000 (Unaudited)	2015 RMB'000
REVENUE	6	3,269,803	4,072,105	4,289,367	1,818,071	2,139,776
Cost of sales		(3,101,874)	(3,869,905)	(4,059,641)	(1,726,907)	(2,029,683)
Gross profit		167,929	202,200	229,726	91,164	110,093
Other income and gains	6	15,770	4,878	6,802	2,489	781
Administrative expenses		(54,027)	(53,736)	(61,308)	(26,684)	(36,502)
Other expenses		(11,800)	(10,715)	(14,793)	3,516	9,755
Finance costs	7	(49,887)	(50,194)	(43,569)	(20,674)	(22,516)
PROFIT BEFORE TAX	8	67,985	92,433	116,858	49,811	61,611
Income tax expense	10	(21,256)	(31,713)	(34,035)	(14,372)	(16,103)
PROFIT FOR THE YEAR/PERIOD		46,729	60,720	82,823	35,439	45,508
OTHER COMPREHENSIVE INCOME		–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		46,729	60,720	82,823	35,439	45,508
Profit attributable to:						
Owners of the parent	11	46,373	60,422	82,450	35,444	45,672
Non-controlling interests		356	298	373	(5)	(164)
		46,729	60,720	82,823	35,439	45,508
Total comprehensive income attributable to:						
Owners of the parent		46,373	60,422	82,450	35,444	45,672
Non-controlling interests		356	298	373	(5)	(164)
		46,729	60,720	82,823	35,439	45,508
Earnings per share attributable to ordinary equity holders of the parent:						
Basic and diluted (expressed in RMB per share)	13	0.15	0.16	0.21	0.09	0.11

(B) Consolidated Statements of Financial Position

	Section II Notes	As at 31 December 2012	2013	2014	As at 30 June 2015
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	122,406	126,443	130,405	126,100
Prepaid land lease payments	15	10,453	10,162	9,871	9,725
Intangible assets	16	696	1,463	1,375	1,237
Available-for-sale investment	18	3,600	3,600	3,600	3,600
Deferred tax assets	19	10,685	12,980	18,070	17,924
Trade receivables	22	17,012	14,502	20,005	17,389
Prepayments, deposits and other receivables	23	49,198	62,851	21,844	26,899
Other non-current assets		1,691	1,771	1,259	814
Total non-current assets		215,741	233,772	206,429	203,688
CURRENT ASSETS					
Prepaid land lease payments	15	291	291	291	291
Inventories	20	253	5,226	9,382	4,825
Trade and bills receivables	22	468,907	468,782	486,289	448,288
Prepayments, deposits and other receivables	23	1,108,403	954,810	971,673	846,416
Amounts due from contract customers	21	1,244,222	1,653,109	2,538,145	2,673,213
Pledged deposits	24	20,480	76,580	42,040	55,984
Cash and cash equivalents	24	58,767	39,852	26,646	29,312
Total current assets		2,901,323	3,198,650	4,074,466	4,058,329
CURRENT LIABILITIES					
Trade and bills payables	25	1,430,909	1,831,274	2,615,215	2,509,343
Other payables, advances from customers and accruals	26	531,429	329,537	190,073	217,590
Amounts due to contract customers	21	106,572	23,407	65,464	83,855
Interest-bearing bank and other borrowings	27	511,750	580,880	635,380	600,580
Tax payable		38,286	60,429	87,456	91,887
Total current liabilities		2,618,946	2,825,527	3,593,588	3,503,255
NET CURRENT ASSETS		282,377	373,123	480,878	555,074
TOTAL ASSETS LESS CURRENT LIABILITIES		498,118	606,895	687,307	758,762
NON-CURRENT LIABILITIES					
Other payables and accruals	26	19,216	14,273	11,862	37,809
Total non-current liabilities		19,216	14,273	11,862	37,809
Net assets		478,902	592,622	675,445	720,953
EQUITY					
Equity attributable to owners of the parent					
Share capital	28	250,000	300,000	400,000	400,000
Reserves	29	227,716	288,138	270,588	316,260
		477,716	588,138	670,588	716,260
Non-controlling interests		1,186	4,484	4,857	4,693
Total equity		478,902	592,622	675,445	720,953

(C) Consolidated Statements of Changes in Equity

	Attributable to owners of the parent							
	Share capital	**Capital reserve***	**Special reserve***	**Statutory surplus reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2012	130,000	1,354	–	17,133	165,620	314,107	280	314,387
Profit for the year	–	–	–	–	46,373	46,373	356	46,729
Total comprehensive income for the year	–	–	–	–	46,373	46,373	356	46,729
Capital contribution *(note (i))*	120,000	–	–	–	–	120,000	550	120,550
Dividends paid	–	–	–	–	(2,764)	(2,764)	–	(2,764)
Appropriation to statutory surplus reserve	–	–	–	4,833	(4,833)	–	–	–
Transfer to special reserve *(note (iii))*	–	–	69,602	–	(69,602)	–	–	–
Utilisation of special reserve *(note (iii))*	–	–	(69,602)	–	69,602	–	–	–
As at 31 December 2012 and 1 January 2013	250,000	1,354	–	21,966	204,396	477,716	1,186	478,902
Profit for the year	–	–	–	–	60,422	60,422	298	60,720
Total comprehensive income for the year	–	–	–	–	60,422	60,422	298	60,720
Capital contribution *(note (ii))*	50,000	–	–	–	–	50,000	3,000	53,000
Appropriation to statutory surplus reserve	–	–	–	6,255	(6,255)	–	–	–
Transfer to special reserve *(note (iii))*	–	–	86,413	–	(86,413)	–	–	–
Utilisation of special reserve *(note (iii))*	–	–	(86,413)	–	86,413	–	–	–
As at 31 December 2013 and 1 January 2014	300,000	1,354	–	28,221	258,563	588,138	4,484	592,622
Profit for the year	–	–	–	–	82,450	82,450	373	82,823
Total comprehensive income for the year	–	–	–	–	82,450	82,450	373	82,823
Capitalisation of retained profits and statutory surplus reserve *(note (iv))*	100,000	179,233	–	(27,227)	(252,006)	–	–	–
Appropriation to statutory surplus reserve	–	–	–	8,874	(8,874)	–	–	–
Transfer to special reserve *(note (iii))*	–	–	91,754	–	(91,754)	–	–	–
Utilisation of special reserve *(note (iii))*	–	–	(91,754)	–	91,754	–	–	–
As at 31 December 2014 and 1 January 2015	400,000	180,587	–	9,868	80,133	670,588	4,857	675,445
Profit for the period	–	–	–	–	45,672	45,672	(164)	45,508
Total comprehensive income for the period	–	–	–	–	45,672	45,672	(164)	45,508
Transfer to special reserve *(note (iii))*	–	–	48,763	–	(48,763)	–	–	–
Utilisation of special reserve *(note (iii))*	–	–	(48,763)	–	48,763	–	–	–
As at 30 June 2015	400,000	180,587	–	9,868	125,805	716,260	4,693	720,953

	Attributable to owners of the parent							
	Share capital	**Capital reserve***	**Special reserve***	**Statutory surplus reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013 and 1 January 2014	300,000	1,354	–	28,221	258,563	588,138	4,484	592,622
Profit for the period (unaudited)	–	–	–	–	35,444	35,444	(5)	35,439
Total comprehensive income for the period (unaudited)	–	–	–	–	35,444	35,444	(5)	35,439
Transfer to special reserve (unaudited) *(note (iii))*	–	–	46,475	–	(46,475)	–	–	–
Utilisation of special reserve (unaudited) *(note (iii))*	–	–	(46,475)	–	46,475	–	–	–
As at 30 June 2014 (unaudited)	300,000	1,354	–	28,221	294,007	623,582	4,479	628,061

* As at 31 December 2012, 2013 and 2014 and 30 June 2015, these reserve accounts comprise the consolidated reserves of RMB227,716,000, RMB288,138,000, RMB270,588,000 and RMB316,260,000, respectively, in the consolidated statements of financial position.

Notes:

(i) Pursuant to the resolution passed by the board of directors in September 2012, the Company's share capital increased from RMB130 million to RMB250 million by injection of cash of RMB120 million from the Shareholders. Pursuant to the resolution passed by the board of directors in May 2012, Tongxiang City Jujiang Curtain Wall Installation Engineering Co., Ltd.'s share capital increased from RMB2.45 million to RMB3.00 million by injection of cash of RMB0.55 million from non-controlling shareholders.

(ii) Pursuant to the resolution passed by the board of directors in June 2013, the Company's share capital increased from RMB250 million to RMB300 million by injection of cash of RMB50 million from the Shareholders. Jiaxing Jujiang Defense Equipment Co., Ltd was established in the PRC on April 17, 2013 with registered capital of RMB10 million, 30% of which was owned by Zhejiang Tongli Heavy Machinery Manufactory Co., Ltd. and RMB3 million was increased by cash injection from non-controlling shareholders.

(iii) In preparation of the Financial Information, the Group has appropriated certain amount of retained profits to a special reserve fund for each of the three years ended 31 December 2012, 2013 and 2014, and each of the six months ended 30 June 2014 and 2015, for safety production expense purpose as required by directives issued by relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained profits until such special reserve was fully utilised.

(iv) Pursuant to the resolution passed by the board of directors in December 2014, the Company's share capital increased from RMB300 million to RMB400 million by the capitalisation of retained profits and the statutory surplus reserve, and the Company became a joint stock company with limited liability.

(D) Consolidated Statements of Cash Flows

	Section II Notes	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*	Six months ended 30 June 2014 *RMB'000* (Unaudited)	Six months ended 30 June 2015 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		67,985	92,433	116,858	49,811	61,611
Adjustments for:						
Finance costs	*7*	49,887	50,194	43,569	20,674	22,516
Dividend income from unlisted equity investment		(900)	(900)	–	–	–
Interest income	*6*	(12,924)	(1,166)	(1,584)	(1,085)	(483)
Depreciation of items of property, plant and equipment	*8*	9,033	7,919	8,032	3,372	4,613
Amortisation of intangible assets	*8*	80	178	241	120	138
Amortisation of prepaid land lease payments	*8*	291	291	291	146	146
Impairment of trade receivables	*8*	10,756	2,505	3,629	1,659	1,823
Impairment/(reversal of impairment) of deposits and other receivables	*8*	573	6,680	10,931	(5,248)	(11,804)
Loss on disposal of items of property, plant and equipment, net	*8*	63	172	–	–	–
		124,844	158,306	181,967	69,449	78,560
Decrease/(increase) in inventories		2,115	(4,973)	(4,156)	(1,696)	4,557
Increase in amounts due from/to contract customers		(211,846)	(492,052)	(842,979)	(27,650)	(116,677)
Decrease/(increase) in trade and bills receivables		(145,599)	130	(26,639)	98,460	38,794
Increase in prepayments, deposits and other receivables		(42,049)	(144,041)	(229,940)	(394,290)	(130,984)
Decrease/(increase) in pledged deposits		47,020	(56,100)	34,540	44,967	(13,944)
Increase/(decrease) in trade and bills payables		149,798	400,365	783,941	212	(105,872)
Increase/(decrease) in other payables, advances from customers and accruals		29,466	(25,072)	16,540	(9,940)	64,262
Cash flows used in operations		(46,251)	(163,437)	(86,726)	(220,488)	(181,304)
Interest received		12,924	1,166	1,584	1,085	483
Income tax paid		(12,465)	(11,865)	(12,098)	(10,456)	(11,525)
Net cash flows used in operating activities		(45,792)	(174,136)	(97,240)	(229,859)	(192,346)
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for acquisition of items of property, plant and equipment	*14*	(6,253)	(12,180)	(12,012)	(6,987)	(308)
Payments for acquisition of intangible assets	*16*	(551)	(945)	(153)	(15)	–
Proceeds from disposal of items of property, plant and equipment		104	51	18	–	–
Dividend received from unlisted equity investment		900	900	–	–	–
Loans to related parties		(260,070)	–	–	–	–
Repayment of loans from related parties		260,070	–	–	–	–
Net cash flows used in investing activities		(5,800)	(12,174)	(12,147)	(7,002)	(308)

	Section II Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Six months ended 30 June 2014 RMB'000 (Unaudited)	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid		(49,887)	(50,194)	(43,569)	(20,674)	(22,516)
New bank loans		798,250	774,810	825,240	423,880	371,880
Repayment of bank loans		(852,740)	(705,680)	(770,740)	(471,880)	(406,680)
Dividends paid to shareholders		(2,764)	–	–	–	–
Capital contribution from non-controlling interests		550	3,000	–	–	–
Capital contribution from the shareholders		120,000	50,000	–	–	–
Borrowing and repayment of loans to related parties		(810,364)	(1,332,886)	(1,063,321)	(620,913)	(865,636)
Borrowing and repayment of loans from related parties		390,592	1,430,999	1,231,008	863,562	1,125,764
Borrowing and repayment of loans to others		(940,218)	(308,855)	(330,081)	(124,337)	(10,037)
Borrowing and repayment of loans from others		1,424,680	306,201	248,319	182,418	3,010
Payment of listing expenses		–	–	(675)	–	(465)
Net cash flows from financing activities		78,099	167,395	96,181	232,056	195,320
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		26,507	(18,915)	(13,206)	(4,805)	2,666
Cash and cash equivalents at beginning of year/period		32,260	58,767	39,852	39,852	26,646
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		58,767	39,852	26,646	35,047	29,312
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*24*	58,767	39,852	26,646	35,047	29,312
Cash and cash equivalents as stated in the statement of financial position		58,767	39,852	26,646	35,047	29,312
Cash and cash equivalents as stated in the statement of cash flows		58,767	39,852	26,646	35,047	29,312

(E) Statements of Financial Position

	Section II Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 June 2015 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	121,740	123,682	127,149	123,234
Prepaid land lease payments	*15*	10,453	10,162	9,871	9,725
Intangible assets	*16*	557	1,377	1,245	1,144
Investments in subsidiaries	*17*	58,850	95,850	95,850	95,850
Available-for-sale investment	*18*	3,600	3,600	3,600	3,600
Deferred tax assets	*19*	9,536	11,398	13,683	16,004
Trade receivables	*22*	16,368	14,354	19,192	17,389
Prepayments, deposits and other receivables	*23*	49,101	62,620	21,843	26,899
Total non-current assets		270,205	323,043	292,433	293,845
CURRENT ASSETS					
Prepaid land lease payments	*15*	291	291	291	291
Inventories	*20*	253	5,226	6,742	819
Trade and bills receivables	*22*	434,391	444,719	450,917	400,394
Prepayments, deposits and other receivables	*23*	1,038,282	847,323	861,403	750,217
Amounts due from contract customers	*21*	1,192,905	1,569,948	2,399,517	2,513,494
Pledged deposits	*24*	19,480	75,580	41,040	54,984
Cash and bank balances	*24*	33,116	37,989	22,019	26,684
Total current assets		2,718,718	2,981,076	3,781,929	3,746,883
CURRENT LIABILITIES					
Trade and bills payables	*25*	1,333,433	1,739,144	2,465,916	2,365,616
Other payables, advances from customers and accruals	*26*	527,581	317,888	170,535	198,436
Amounts due to contract customers	*21*	96,325	23,134	61,786	79,490
Interest-bearing bank and other borrowings	*27*	503,750	570,380	614,380	568,580
Tax payable		37,309	59,669	85,413	90,398
Total current liabilities		2,498,398	2,710,215	3,398,030	3,302,520
NET CURRENT ASSETS		220,320	270,861	383,899	444,363
TOTAL ASSETS LESS CURRENT LIABILITIES		490,525	593,904	676,332	738,208
NON-CURRENT LIABILITIES					
Other payables and accruals	*26*	17,814	13,317	10,946	36,802
Total non-current liabilities		17,814	13,317	10,946	36,802
Net assets		472,711	580,587	665,386	701,406
EQUITY					
Share capital	*28*	250,000	300,000	400,000	400,000
Reserves	*29*	222,711	280,587	265,386	301,406
Total equity		472,711	580,587	665,386	701,406

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company, formerly known as Qitang Commune Construction Agency, was established in the People's Republic of China (the "PRC") on 25 October 1965 as a collective economy agency (集體經濟社). In July 1996, the Company was converted into a company with limited liability. The Company became a joint stock company with limited liability on 29 December 2014 and changed its name to Jujiang Construction Group Co., Ltd. in preparation for the listing. The registered office address of the Company is Gaoqiao Town, Jiaxing City, Zhejiang Province, the PRC.

During the Relevant Periods, the Group's principal activities were as follows:

- Construction contracting
- Others – design, survey and consultancy, etc.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Zhejiang Jujiang Holdings Group Co., Ltd.

As at the date of this report, the Company had direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Note	Place and date of incorporation/ registration and business	Share capital	Percentage of equity attributable to the Company	Principal activities
Zhejiang Jujiang Construction Surveying and Design Co., Ltd. ("浙江巨匠建築勘察設計有限公司")	(a)	The PRC/ Mainland China September 1985	RMB3,000,000	100%	Surveying, designing, engineering exploration
Tongxiang City Jujiang Lifting Equipment Installation Co., Ltd. ("桐鄉市巨匠起重設備安裝有限公司")	(a)	The PRC/ Mainland China May 2006	RMB1,600,000	100%	Installation, disassembly, rent of construction lifting equipment

Name	Note	Place and date of incorporation/ registration and business	Share capital	Percentage of equity attributable to the Company	Principal activities
Zhejiang Jujiang Municipal Landscaping Engineering Co., Ltd. ("浙江巨匠市政園林綠化工程有限公司")	(a)	The PRC/ Mainland China October 2007	RMB50,000,000	100%	Municipal public, sports facilities construction, landscaping
Zhejiang Kepuao Building Materials Trading Co., Ltd. ("浙江科普奧建材貿易有限公司")	(b)	The PRC/ Mainland China February 2013	RMB30,000,000	100%	Sales of building materials, machinery, metal materials
Tongxiang City Jujiang Curtain Wall Installation Engineering Co., Ltd. ("桐鄉市巨匠建築幕牆工程安裝有限公司")	(a)	The PRC/ Mainland China March 2009	RMB5,000,000	85%	Installation of architecture wall
Jiaxing Jujiang Defense Equipment Co., Ltd. ("嘉興巨匠防護設備有限公司")	(c)	The PRC/ Mainland China April 2013	RMB10,000,000	70%	Civil defense products manufacturing business

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

Notes:

(a) The statutory financial statements of these entities for the years ended 31 December 2012, 2013 and 2014 prepared under PRC GAAP were audited by Truth Certified Public Accountants (求真會計師事務所), certified public accountants registered in the PRC.

(b) The statutory financial statements of this subsidiary from 21 February 2013 (date of incorporation) to 31 December 2013 and for the year ended 31 December 2014 prepared under PRC GAAP were audited by Truth Certified Public Accountants (求真會計師事務所), certified public accountants registered in the PRC.

(c) The statutory financial statements of this subsidiary from 18 April 2013 (date of incorporation) to 31 December 2013 and for the year ended 31 December 2014 prepared under PRC GAAP were audited by Truth Certified Public Accountants (求真會計師事務所), certified public accountants registered in the PRC.

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs (which include all standards and interpretations) approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information herein.

IFRS 9 (2013)	*Financial Instruments*[2]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting* and amendments to IFRS 9, IFRS 7 and IAS 39[2]
IFRS 10 and IAS 28 Amendments	Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
IFRS 10, IFRS 12 and IAS 28 Amendments	Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities Applying the Consolidation Exception*[1]
IFRS 11 Amendments	Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[1]
IFRS 15	*Revenue from Contracts with Customers*[2]
IAS 1 Amendments	Amendments to IAS 1 *Disclosure Initiative*[1]
IAS 16 and IAS 38 Amendments	Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
IAS 16 and IAS 41 Amendments	Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*[1]
IAS 27 Amendments	Amendments to IAS 27 *Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

Further information about below IFRS that is expected to be applicable to the Group is as follows:

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction and service contract assets, and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Categories	
Buildings	2.38% to 4.75%
Plant and machinery	4.75% to 11.88%
Office equipment and others	9.50% to 31.67%
Motor vehicles	9.50% to 32.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

The Group's financial liabilities include trade and bills payables, interest-bearing bank and other borrowings and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour, the cost of subcontracting and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method. The stage of completion of a contract is established by reference to the construction works certified by independent surveyors.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Employee benefits

Social pension plans

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligation beyond the contributions made.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Apart from those described above, the Group does not have any other legal or constructive obligations over employee benefits.

Production safety expenses

Production safety expenses accrued based on the *Production Safety Law of the People's Republic of China* (中華人民共和國安全生產法) shall be provided in retained profits for the current period, and recorded as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. Depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Percentage of completion of construction and service works

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the construction works certified by independent surveyors. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred.

Estimation of total budgeted costs and cost to completion for construction contracting and contracts for services

Total budgeted costs for construction contracting and contract for services comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and contract for service, management makes reference to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) professional estimation on material costs, labour costs and other costs.

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognised as management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers deteriorates such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) Construction contracting – this segment engages in the provision of services relating to construction contracting in architecture;

(b) Others – provision of services on designing, surveying and mapping, monitoring and consulting services in the engineering of municipal management and construction, installation of lifting equipment, sale of construction materials and civil defense products and provision of services relating to construction contracting in architecture.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2012	Construction contracting	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	3,266,803	3,000	–	3,269,803
Intersegment sales	–	276	(276)	–
Total revenue	3,266,803	3,276	(276)	3,269,803
Segment results	69,178	(1,193)	–	67,985
Income tax expense	(21,402)	146	–	(21,256)
Profit for the year	47,776	(1,047)	–	46,729
Segment assets	3,172,030	10,884	(65,850)	3,117,064
Segment liabilities	2,640,457	4,705	(7,000)	2,638,162
Other segment information:				
Interest income	12,920	4	–	12,924
Finance costs	49,887	–	–	49,887
Depreciation	8,849	184	–	9,033
Amortisation	320	51	–	371
Provision for/(reversal of provision for) – impairment of trade receivables, deposits and other receivables	11,751	(422)	–	11,329
Capital expenditure*	6,365	439	–	6,804

Year ended 31 December 2013	Construction contracting	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	4,052,808	19,297	–	4,072,105
Intersegment sales	–	12,170	(12,170)	–
Total revenue	4,052,808	31,467	(12,170)	4,072,105
Segment results	91,035	1,398	–	92,433
Income tax expense	(31,355)	(358)	–	(31,713)
Profit for the year	59,680	1,040	–	60,720
Segment assets	3,472,578	60,127	(100,283)	3,432,422
Segment liabilities	2,831,323	12,910	(4,433)	2,839,800
Other segment information:				
Interest income	1,154	12	–	1,166
Finance costs	49,849	345	–	50,194
Depreciation	7,429	490	–	7,919
Amortisation	417	52	–	469
Provision for				
– impairment of trade receivables, deposits and other receivables	9,158	27	–	9,185
Capital expenditure*	10,538	2,587	–	13,125

Year ended 31 December 2014	Construction contracting	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	4,258,514	30,853	–	4,289,367
Intersegment sales	–	2,743	(2,743)	–
Total revenue	4,258,514	33,596	(2,743)	4,289,367
Segment results	114,865	1,993	–	116,858
Income tax expense	(33,473)	(562)	–	(34,035)
Profit for the year	81,392	1,431	–	82,823
Segment assets	4,303,745	74,952	(97,802)	4,280,895
Segment liabilities	3,581,101	26,301	(1,952)	3,605,450
Other segment information:				
Interest income	1,561	23	–	1,584
Finance costs	41,549	2,020	–	43,569
Depreciation	7,007	1,025	–	8,032
Amortisation	486	46	–	532
Provision for				
– impairment of trade receivables, deposits and other receivables	14,427	133	–	14,560
Capital expenditure*	10,559	1,606	–	12,165

Six months ended 30 June 2014	Construction contracting	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:				
Sales to external customers	1,803,175	14,896	–	1,818,071
Intersegment sales	–	2,048	(2,048)	–
Total revenue	1,803,175	16,944	(2,048)	1,818,071
Segment results	49,574	237	–	49,811
Income tax expense	(14,303)	(69)	–	(14,372)
Profit for the period	35,271	168	–	35,439
Other segment information:				
Interest income	1,079	6	–	1,085
Finance costs	19,900	774	–	20,674
Depreciation	2,989	383	–	3,372
Amortisation	243	23	–	266
Reversal of impairment – impairment of trade receivables, deposits and other receivables	(3,528)	(61)	–	(3,589)
Capital expenditure*	6,198	804	–	7,002

Six months ended 30 June 2015	Construction contracting	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	2,131,996	7,780	–	2,139,776
Intersegment sales	203	364	(567)	–
Total revenue	2,132,199	8,144	(567)	2,139,776
Segment results	63,872	(2,261)	–	61,611
Income tax expense	(16,639)	536	–	(16,103)
Profit for the period	47,233	(1,725)	–	45,508
Segment assets	4,288,934	70,338	(97,255)	4,262,017
Segment liabilities	3,519,057	23,412	(1,405)	3,541,064
Other segment information:				
Interest income	475	8	–	483
Finance costs	21,496	1,020	–	22,516
Depreciation	4,125	488	–	4,613
Amortisation	246	38	–	284
Reversal of impairment – impairment of trade receivables, deposits and other receivables	(9,811)	(170)	–	(9,981)
Capital expenditure*	208	100	–	308

Note:

* Capital expenditure mainly consists of additions of property, plant and equipment and intangible assets.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents: (1) the values of services rendered; (2) appropriate proportion of contract revenue of construction contracting; and (3) the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follow:

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue					
Construction contracting	3,266,803	4,052,808	4,258,514	1,803,175	2,131,996
Others	3,000	19,297	30,853	14,896	7,780
	3,269,803	4,072,105	4,289,367	1,818,071	2,139,776
Other income and gains					
Interest income	12,924	1,166	1,584	1,085	483
Government grant*	1,833	2,682	4,747	1,359	90
Dividend income	900	900	–	–	–
Others	113	130	471	45	208
	15,770	4,878	6,802	2,489	781

Note:

* Government grant mainly consists of construction industry fund received from Ministry of Housing and Urban-Rural Development of the People's Republic of China and Tongxiang Finance Bureau.

7. FINANCE COSTS

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank loans and other borrowings wholly repayable within one year	48,061	45,076	40,149	19,603	21,231
Interest on discounted bills receivable	1,826	5,118	3,420	1,071	1,285
	49,887	50,194	43,569	20,674	22,516

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Six months ended June 30	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of construction contracting (including depreciation)		3,098,641	3,855,073	4,037,015	1,714,820	2,021,247
Cost of others		3,233	14,832	22,626	12,087	8,436
Total cost of sales		3,101,874	3,869,905	4,059,641	1,726,907	2,029,683
Depreciation of items of property, plant and equipment *(note (a))*	*14*	9,033	7,919	8,032	3,372	4,613
Amortisation of prepaid land lease payments	*15*	291	291	291	146	146
Amortisation of intangible assets	*16*	80	178	241	120	138
Total depreciation and amortisation		9,404	8,388	8,564	3,638	4,897
Impairment of trade receivables	*22*	10,756	2,505	3,629	1,659	1,823
Impairment (reversal of impairment) of deposits and other receivables	*23*	573	6,680	10,931	(5,248)	(11,804)
Total impairment losses, net		11,329	9,185	14,560	(3,589)	(9,981)
Minimum lease payments under operating leases of land and buildings *(note (b))*		42	22	1,035	628	467
Auditors' remuneration		459	116	2,111	449	1,526
Employee benefit expenses (including Directors' and Supervisors' remuneration) *(note (c))*:		26,512	26,927	30,843	14,270	15,950
Wages, salaries and allowances		18,751	19,693	21,714	10,389	11,285
Social insurance		5,310	5,460	5,602	2,616	3,739
Welfare and other expenses		2,451	1,774	3,527	1,265	926
Interest income		(12,924)	(1,166)	(1,584)	(1,085)	(483)
Loss on disposal of items of property, plant and equipment, net		63	172	–	–	–

(a) Depreciation of approximately RMB6,955,000, RMB5,919,000, RMB5,532,000, RMB2,314,000 (unaudited) and RMB3,138,000 are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

(b) Minimum lease payments of approximately RMB42,000, RMB22,000, RMB679,000, RMB450,000 (unaudited) and RMB241,000 are included in administrative expense in the consolidated statements of profit or loss and other comprehensive income for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

(c) Employee benefit expenses of approximately RMB26,512,000 RMB26,927,000, RMB30,843,000, 14,270,000 (unaudited) and RMB15,950,000 are included in administrative expense in the consolidated statements of profit or loss and other comprehensive income for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

The aggregate amounts of remuneration of the Directors and supervisors of the Company during the Relevant Periods, disclosed pursuant to the Hong Kong Listing Rules, are as follows:

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fees	–	–	–	–	–
Others emoluments:					
– Salaries, allowances and benefits in kind	1,058	1,040	1,242	519	584
– Performance-related bonuses	280	270	186	–	–
– Pension schemes	67	40	46	23	22
	1,405	1,350	1,474	542	606

The names of the Directors and supervisors and their remuneration for the Relevant Periods are as follows:

Year ended 31 December 2012	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension schemes	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Lv Yaoneng (呂耀能)	–	248	80	13	341
Mr. Lv Dazhong (呂達忠)	–	148	50	13	211
Mr. Li Jinyan (李錦燕)	–	175	50	13	238
Mr. Lu Zhicheng (陸志城)	–	11	–	3	14
Mr. Lv Julong (呂菊龍)	–	143	30	–	173
Mr. Shen Haiquan (沈海泉)	–	110	20	12	142
Mr. Zheng Gang (鄭剛)	–	177	50	13	240
	–	1,012	280	67	1,359
Supervisors					
Mr. Shen Bingkun (沈炳坤)	–	46	–	–	46
	–	46	–	–	46
	–	1,058	280	67	1,405

Year ended 31 December 2013	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension schemes	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Lv Yaoneng (呂耀能)	–	271	90	9	370
Mr. Lv Dazhong (呂達忠)	–	185	60	7	252
Mr. Li Jinyan (李錦燕)	–	207	60	7	274
Mr. Lu Zhicheng (陸志城)	–	18	–	3	21
Mr. Lv Julong (呂菊龍)	–	81	–	–	81
Mr. Shen Haiquan (沈海泉)	–	19	–	7	26
Mr. Zheng Gang (鄭剛)	–	213	60	7	280
	–	994	270	40	1,304
Supervisors					
Mr. Shen Bingkun (沈炳坤)	–	46	–	–	46
	–	46	–	–	46
	–	1,040	270	40	1,350

Year ended 31 December 2014	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension schemes	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Lv Yaoneng (呂耀能)	–	284	–	9	293
Mr. Lv Dazhong (呂達忠)	–	202	60	7	269
Mr. Li Jinyan (李錦燕)	–	218	60	7	285
Mr. Lu Zhicheng (陸志城)	–	18	–	3	21
Mr. Shen Haiquan (沈海泉)	–	19	–	7	26
Mr. Zheng Gang (鄭剛)	–	214	60	7	281
	–	955	180	40	1,175
Supervisors					
Mr. Zou Jiangtao (鄒江滔)(1)	–	181	6	6	193
Mr. Shen Bingkun (沈炳坤)	–	45	–	–	45
Mr. Lv Julong (呂菊龍)(2)	–	61	–	–	61
	–	287	6	6	299
	–	1,242	186	46	1,474

Six months ended 30 June 2014	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension schemes	Total remuneration
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Executive Directors					
Mr. Lv Yaoneng (呂耀能)	–	141	–	5	146
Mr. Lv Dazhong (呂達忠)	–	101	–	4	105
Mr. Li Jinyan (李錦燕)	–	107	–	4	111
Mr. Lu Zhicheng (陸志城)	–	9	–	2	11
Mr. Lv Julong (呂菊龍)	–	23	–	–	23
Mr. Shen Haiquan (沈海泉)	–	9	–	4	13
Mr. Zheng Gang (鄭剛)	–	106	–	4	110
	–	496	–	23	519
Supervisors					
Mr. Shen Bingkun (沈炳坤)	–	23	–	–	23
	–	23	–	–	23
	–	519	–	23	542

Six months ended 30 June 2015	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension schemes	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Lv Yaoneng (呂耀能)	–	144	–	5	149
Mr. Lv Dazhong (呂達忠)	–	103	–	3	106
Mr. Li Jinyan (李錦燕)	–	115	–	3	118
Mr. Lu Zhicheng (陸志城)	–	9	–	2	11
Mr. Shen Haiquan (沈海泉)	–	9	–	3	12
Mr. Zheng Gang (鄭剛)	–	74	–	3	77
	–	454	–	19	473
Supervisors					
Mr. Zou Jiangtao (鄒江滔)(1)	–	84	–	3	87
Mr. Shen Bingkun (沈炳坤)	–	23	–	–	23
Mr. Lv Julong (呂菊龍)(2)	–	23	–	–	23
	–	130	–	3	133
	–	584	–	22	606

Notes:

(1) Mr. Zou Jiangtao was appointed as a supervisor effective from 25 December 2014.

(2) Mr. Lv Julong resigned as executive director and was appointed as a supervisor effective from 25 December 2014.

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the Relevant Periods is as follows:

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
Directors	3	3	4	4	3
Supervisors	–	–	–	–	–
Non-director and non-supervisor employees	2	2	1	1	2
	5	5	5	5	5

Details of the Directors' and Supervisors' remuneration are set out above.

Details of the remuneration of the above non-director and non-supervisor, highest paid employees are as follows:

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	352	407	218	109	216
Performance-related bonuses	100	120	60	–	–
Pension schemes	25	13	7	4	7
	477	540	285	113	223

The number of non-director and non-supervisor, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
Nil to RMB1,000,000	2	2	1	1	2
RMB1,000,000 to RMB1,500,000	–	–	–	–	–
RMB1,500,000 to RMB2,000,000	–	–	–	–	–

During the Relevant Periods, there were no arrangements under which a Director or a Supervisor waived or agreed to waive any emoluments. In addition, no emoluments were paid by the Group to the Directors and Supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax – Mainland China					
Charge for the year/period	24,611	33,955	39,125	13,833	15,957
Under provision in prior years	73	53	–	–	–
Deferred income tax *(note 19)*	(3,428)	(2,295)	(5,090)	539	146
Tax charge for the year/period	21,256	31,713	34,035	14,372	16,103

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the Relevant Periods is as follows:

	Year ended 31 December			Six months ended June 30	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	67,985	92,433	116,858	49,811	61,611
Income tax charge at the statutory income tax rate	16,996	23,108	29,215	12,453	15,403
Expenses not deductible/deemed income for tax purposes	4,187	8,552	4,820	1,919	700
Adjustments in respect of current tax of previous years	73	53	–	–	–
Tax charge for the year/period at the effective rate	21,256	31,713	34,035	14,372	16,103

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 includes profits of RMB45,962,000, RMB57,876,000, RMB84,799,000 and RMB36,020,000, respectively, which have been dealt with in the financial statements of the Company (Note 29(b)).

12. DIVIDENDS

The dividends during the Relevant Periods are set out below:

	Year ended 31 December			Six months ended June 30	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Dividends declared to owners of the parent	2,764	–	–	–	–

The rates of distribution are not presented as this information is not meaningful for the purpose of this report.

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the Relevant Periods and the six months ended 30 June 2014.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the those periods.

The following reflects the income and share data used in the basic earnings per share computation:

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Earnings:					
Profit for the year attributable to owners of the parent, used in the basic earnings per share calculation	46,373	60,422	82,450	35,444	45,672

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
	'000	*'000*	*'000*	*'000* (Unaudited)	*'000*
Number of shares:					
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	314,586	371,096	400,000	400,000	400,000

For the purpose of presenting earnings per share, the calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares. The weighted average number of ordinary shares used in the calculation for each of the Relevant Periods is the number of ordinary shares in issue, adjusted for the capitalisation as if it had occurred before the earliest period presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2012						
At 31 December 2011 and at 1 January 2012:						
Cost	102,625	20,402	12,644	7,488	–	143,159
Accumulated depreciation	(2,263)	(6,078)	(7,202)	(2,264)	–	(17,807)
Net carrying amount	100,362	14,324	5,442	5,224	–	125,352
At 1 January 2012, net of accumulated depreciation	100,362	14,324	5,442	5,224	–	125,352
Additions	335	1,478	414	1,036	2,990	6,253
Disposals	–	(103)	(5)	(58)	–	(166)
Depreciation provided during the year	(2,788)	(2,010)	(3,022)	(1,213)	–	(9,033)
At 31 December 2012, net of accumulated depreciation	97,909	13,689	2,829	4,989	2,990	122,406
At 31 December 2012:						
Cost	102,960	20,688	12,879	7,362	2,990	146,879
Accumulated depreciation	(5,051)	(6,999)	(10,050)	(2,373)	–	(24,473)
Net carrying amount	97,909	13,689	2,829	4,989	2,990	122,406

Group

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2013						
At 31 December 2012 and at 1 January 2013:						
Cost	102,960	20,688	12,879	7,362	2,990	146,879
Accumulated depreciation	(5,051)	(6,999)	(10,050)	(2,373)	–	(24,473)
Net carrying amount	97,909	13,689	2,829	4,989	2,990	122,406
At 1 January 2013, net of accumulated depreciation	97,909	13,689	2,829	4,989	2,990	122,406
Additions	19	2,969	3,767	799	4,626	12,180
Transfers	7,616	–	–	–	(7,616)	–
Disposals	(173)	(51)	–	–	–	(224)
Depreciation provided during the year	(2,975)	(1,969)	(1,680)	(1,295)	–	(7,919)
At 31 December 2013, net of accumulated depreciation	102,396	14,638	4,916	4,493	–	126,443
At 31 December 2013:						
Cost	110,240	21,943	16,646	8,161	–	156,990
Accumulated depreciation	(7,844)	(7,305)	(11,730)	(3,668)	–	(30,547)
Net carrying amount	102,396	14,638	4,916	4,493	–	126,443

Group

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014						
At 31 December 2013 and at 1 January 2014:						
Cost	110,240	21,943	16,646	8,161	–	156,990
Accumulated depreciation	(7,844)	(7,305)	(11,730)	(3,668)	–	(30,547)
Net carrying amount	102,396	14,638	4,916	4,493	–	126,443
At 1 January 2014, net of accumulated depreciation	102,396	14,638	4,916	4,493	–	126,443
Additions	–	7,456	346	1,564	2,646	12,012
Disposals	–	(13)	(5)	–	–	(18)
Depreciation provided during the year	(2,397)	(2,361)	(1,622)	(1,652)	–	(8,032)
At 31 December 2014, net of accumulated depreciation	99,999	19,720	3,635	4,405	2,646	130,405
At 31 December 2014:						
Cost	110,240	28,969	16,898	9,725	2,646	168,478
Accumulated depreciation	(10,241)	(9,249)	(13,263)	(5,320)	–	(38,073)
Net carrying amount	99,999	19,720	3,635	4,405	2,646	130,405

Group

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2015						
At 31 December 2014 and at 1 January 2015:						
Cost	110,240	28,969	16,898	9,725	2,646	168,478
Accumulated depreciation	(10,241)	(9,249)	(13,263)	(5,320)	–	(38,073)
Net carrying amount	99,999	19,720	3,635	4,405	2,646	130,405
At 1 January 2015, net of accumulated depreciation	99,999	19,720	3,635	4,405	2,646	130,405
Additions	–	–	–	140	168	308
Disposals	–	–	–	–	–	–
Depreciation provided during the period	(1,834)	(1,378)	(641)	(760)	–	(4,613)
At 30 June 2015, net of accumulated depreciation	98,165	18,342	2,994	3,785	2,814	126,100
At 30 June 2015:						
Cost	110,240	28,969	16,898	9,865	2,814	168,786
Accumulated depreciation	(12,075)	(10,627)	(13,904)	(6,080)	–	(42,686)
Net carrying amount	98,165	18,342	2,994	3,785	2,814	126,100

Company

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2012						
At 31 December 2011 and at 1 January 2012:						
Cost	102,385	20,402	12,242	6,114	–	141,143
Accumulated depreciation	(2,166)	(6,078)	(6,971)	(1,061)	–	(16,276)
Net carrying amount	100,219	14,324	5,271	5,053	–	124,867
At 1 January 2012, net of accumulated depreciation	100,219	14,324	5,271	5,053	–	124,867
Additions	334	1,477	2	1,027	2,990	5,830
Disposals	–	(103)	(5)	–	–	(108)
Depreciation provided during the year	(2,777)	(2,010)	(2,917)	(1,145)	–	(8,849)
At 31 December 2012, net of accumulated depreciation	97,776	13,688	2,351	4,935	2,990	121,740
At 31 December 2012:						
Cost	102,719	20,687	12,065	7,141	2,990	145,602
Accumulated depreciation	(4,943)	(6,999)	(9,714)	(2,206)	–	(23,862)
Net carrying amount	97,776	13,688	2,351	4,935	2,990	121,740

Company

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2013						
At 31 December 2012 and at 1 January 2013:						
Cost	102,719	20,687	12,065	7,141	2,990	145,602
Accumulated depreciation	(4,943)	(6,999)	(9,714)	(2,206)	–	(23,862)
Net carrying amount	97,776	13,688	2,351	4,935	2,990	121,740
At 1 January 2013, net of accumulated depreciation	97,776	13,688	2,351	4,935	2,990	121,740
Additions	19	2,761	1,838	349	4,626	9,593
Transfers	7,616	–	–	–	(7,616)	–
Disposals	(173)	(51)	–	–	–	(224)
Depreciation provided during the year	(2,964)	(1,966)	(1,276)	(1,221)	–	(7,427)
At 31 December 2013, net of accumulated depreciation	102,274	14,432	2,913	4,063	–	123,682
At 31 December 2013:						
Cost	109,999	21,734	13,903	7,490	–	153,126
Accumulated depreciation	(7,725)	(7,302)	(10,990)	(3,427)	–	(29,444)
Net carrying amount	102,274	14,432	2,913	4,063	–	123,682

Company

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014						
At 31 December 2013 and at 1 January 2014:						
Cost	109,999	21,734	13,903	7,490	–	153,126
Accumulated depreciation	(7,725)	(7,302)	(10,990)	(3,427)	–	(29,444)
Net carrying amount	102,274	14,432	2,913	4,063	–	123,682
At 1 January 2014, net of accumulated depreciation	102,274	14,432	2,913	4,063	–	123,682
Additions	–	7,433	93	319	2,646	10,491
Disposals	–	(13)	(5)	–	–	(18)
Depreciation provided during the year	(2,387)	(2,345)	(985)	(1,289)	–	(7,006)
At 31 December 2014, net of accumulated depreciation	99,887	19,507	2,016	3,093	2,646	127,149
At 31 December 2014:						
Cost	109,999	28,737	13,902	7,809	2,646	163,093
Accumulated depreciation	(10,112)	(9,230)	(11,886)	(4,716)	–	(35,944)
Net carrying amount	99,887	19,507	2,016	3,093	2,646	127,149

Company

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2015						
At 31 December 2014 and at 1 January 2015:						
Cost	109,999	28,737	13,902	7,809	2,646	163,093
Accumulated depreciation	(10,112)	(9,230)	(11,886)	(4,716)	–	(35,944)
Net carrying amount	99,887	19,507	2,016	3,093	2,646	127,149
At 1 January 2015, net of accumulated depreciation	99,887	19,507	2,016	3,093	2,646	127,149
Additions	–	–	–	40	168	208
Disposals	–	–	–	–	–	–
Depreciation provided during the period	(1,828)	(1,366)	(328)	(601)	–	(4,123)
At 30 June 2015, net of accumulated depreciation	98,059	18,141	1,688	2,532	2,814	123,234
At 30 June 2015:						
Cost	109,999	28,737	13,902	7,849	2,814	163,301
Accumulated depreciation	(11,940)	(10,596)	(12,214)	(5,317)	–	(40,067)
Net carrying amount	98,059	18,141	1,688	2,532	2,814	123,234

Certain of the Group's buildings with a net carrying amount of approximately RMB97,909,000, RMB102,396,000, RMB99,999,000 and RMB98,165,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively, were pledged to secure general banking facilities granted to the Group and the Company (note 27).

15. PREPAID LAND LEASE PAYMENTS

Group and Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	11,035	10,744	10,453	10,162
Amortisation for the year/period	(291)	(291)	(291)	(146)
Carrying amount at end of year/period	10,744	10,453	10,162	10,016
Portion classified as current assets	(291)	(291)	(291)	(291)
Non-current portion	10,453	10,162	9,871	9,725

The leasehold land is situated in Mainland China and is held on a lease between 40 years and 50 years.

16. INTANGIBLE ASSETS

Group

	As at 31 December			As at 30 June
Software	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period:				
Cost	330	881	1,826	1,979
Accumulated amortisation for the year/period	(105)	(185)	(363)	(604)
Net carrying amount	225	696	1,463	1,375

Software	As at 31 December 2012	2013	2014	As at 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost at beginning of the year/period, net of accumulated amortisation	225	696	1,463	1,375
Additions	551	945	153	–
Accumulated amortisation for the year/period	(80)	(178)	(241)	(138)
At end of the year/period	696	1,463	1,375	1,237
At end of the year/period:				
Cost	881	1,826	1,979	1,979
Accumulated amortisation for the year/period	(185)	(363)	(604)	(742)
Net carrying amount	696	1,463	1,375	1,237

Company

Software	As at 31 December 2012	2013	2014	As at 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period:				
Cost	87	620	1,565	1,628
Accumulated amortisation for the year/period	(33)	(63)	(188)	(383)
Net carrying amount	54	557	1,377	1,245

Software	As at 31 December 2012	2013	2014	As at 30 June 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cost at beginning of the year/period, net of accumulated amortisation	54	557	1,377	1,245
Additions	533	945	63	–
Accumulated amortisation for the year/period	(30)	(125)	(195)	(101)
At end of the year/period	557	1,377	1,245	1,144
At end of the year/period:				
Cost	620	1,565	1,628	1,628
Accumulated amortisation for the year/period	(63)	(188)	(383)	(484)
Net carrying amount	557	1,377	1,245	1,144

17. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December 2012	2013	2014	As at 30 June 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	58,850	95,850	95,850	95,850

Particulars of the subsidiaries of the Company are set out in note 1 of this section.

18. AVAILABLE-FOR-SALE INVESTMENT

Group and Company

	As at 31 December 2012	2013	2014	As at 30 June 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investment, at cost	3,600	3,600	3,600	3,600

The unlisted equity investment represents the investment in an entity established in the PRC. The investment is measured at cost less impairment at each reporting date because it does not have quoted market price in an active market and the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

19. DEFERRED TAX ASSETS

The movements in deferred tax assets during the Relevant Periods are as follows:

Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
At beginning of the year/ period	7,257	10,685	12,980	18,070
Deferred tax credited/(debited) to profit or loss during the year/period *(note 10)*	3,428	2,295	5,090	(146)
At end of the year/period	10,685	12,980	18,070	17,924

Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
At beginning of the year/ period	6,797	9,536	11,398	13,683
Deferred tax credited to profit or loss during the year/ period	2,739	1,862	2,285	2,321
At end of the year/period	9,536	11,398	13,683	16,004

The deferred tax assets are attributed to the following items:

Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
Provision for impairment of receivables	3,404	4,030	4,937	5,393
Provision for impairment of other receivables	5,580	7,250	9,983	7,032
Accrued but not paid salaries, wages and benefits	1,318	1,686	1,787	2,018
Accrued but not paid provision and expenses	–	–	898	2,520
Accumulated losses	383	14	465	961
	10,685	12,980	18,070	17,924

Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
Provision for impairment of receivables	3,366	3,977	4,831	5,294
Provision for impairment of other receivables	5,051	6,011	6,526	6,632
Accrued but not paid salaries, wages and benefits	1,119	1,410	1,428	1,559
Accrued but not paid provision and expenses	–	–	898	2,519
	9,536	11,398	13,683	16,004

As at 31 December 2012, 2013, and 2014 and 30 June 2015, there were no unrecognised deferred tax assets in respect of deductible temporary differences and unused tax losses.

20. INVENTORIES

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	253	5,226	7,658	1,758
Goods in process	–	–	–	542
Finished goods	–	–	1,680	2,485
Spare parts and consumables	–	–	44	40
	253	5,226	9,382	4,825

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	253	5,226	6,742	819
Finished goods	–	–	–	–
Spare parts and consumables	–	–	–	–
	253	5,226	6,742	819

21. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

Group

Construction contracts

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from contract customers	1,244,222	1,653,109	2,538,145	2,673,213
Amount due to contract customers	(106,572)	(23,407)	(65,464)	(83,855)
	1,137,650	1,629,702	2,472,681	2,589,358

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated contract costs incurred plus recognised profits less recognised losses to date	12,058,779	16,252,386	20,657,498	22,862,786
Less: Accumulated progress billing received and receivable	(10,921,129)	(14,622,684)	(18,184,817)	(20,273,428)
	1,137,650	1,629,702	2,472,681	2,589,358

Company

Construction contracts

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from contract customers	1,192,905	1,569,948	2,399,517	2,513,494
Amount due to contract customers	(96,325)	(23,134)	(61,786)	(79,490)
	1,096,580	1,546,814	2,337,731	2,434,004

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated contract costs incurred plus recognised profits less recognised losses to date	11,692,203	15,617,095	19,818,129	21,890,249
Less: Accumulated progress billing received and receivable	(10,595,623)	(14,070,281)	(17,480,398)	(19,456,245)
	1,096,580	1,546,814	2,337,731	2,434,004

22. TRADE AND BILLS RECEIVABLES

Trade receivables represented receivables for contract works. The payment terms of contract work receivables are stipulated in relevant contracts. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period offered by the Group is one to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	424,829	364,841	442,519	357,934
Provision for impairment	(13,616)	(16,121)	(19,750)	(21,573)
Trade receivables, net	411,213	348,720	422,769	336,361
Bills receivable	74,706	134,564	83,525	129,316
	485,919	483,284	506,294	465,677
Portion classified as non-current assets(1)	(17,012)	(14,502)	(20,005)	(17,389)
Current portion	468,907	468,782	486,289	448,288

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	389,515	342,991	406,853	313,322
Provision for impairment	(13,462)	(15,908)	(19,323)	(21,175)
Trade receivables, net	376,053	327,083	387,530	292,147
Bills receivable	74,706	131,990	82,579	125,636
	450,759	459,073	470,109	417,783
Portion classified as non-current assets(1)	(16,368)	(14,354)	(19,192)	(17,389)
Current portion	434,391	444,719	450,917	400,394

(1) The non-current portion of trade receivables mainly represents the amounts of retentions held by customers at the end of each of the Relevant Periods, and will be paid at the end of the retention period.

At the end of each of the Relevant Periods, the amounts of retentions held by customers for contract works included in trade receivables for the Group are approximately as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Retentions in trade receivables	27,435	34,753	45,972	40,365
Provision for impairment	(153)	(210)	(142)	(68)
Retentions in trade receivables, net	27,282	34,543	45,830	40,297
Portion classified as non-current assets	(17,012)	(14,502)	(20,005)	(17,389)
Current portion	10,270	20,041	25,825	22,908

An aged analysis of the Group's and the Company's trade receivables, based on the billing date and net of provision for impairment of trade receivables, as at the end of each of the Relevant Periods is as follows:

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	223,613	157,294	199,599	133,572
3 months to 6 months	32,402	22,596	74,834	84,371
6 months to 1 year	53,938	61,595	71,485	31,114
1 to 2 years	71,823	38,344	61,061	63,191
2 to 3 years	23,210	43,256	12,417	11,154
3 to 4 years	5,265	22,315	1,759	10,632
4 to 5 years	529	2,609	606	799
Over 5 years	433	711	1,008	1,528
	411,213	348,720	422,769	336,361

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	193,626	143,524	180,332	118,662
3 months to 6 months	29,975	19,517	69,179	61,886
6 months to 1 year	53,448	60,473	65,952	27,426
1 to 2 years	69,786	35,334	58,917	62,151
2 to 3 years	23,098	42,628	9,841	9,555
3 to 4 years	5,158	22,287	1,706	10,143
4 to 5 years	529	2,609	595	782
Over 5 years	433	711	1,008	1,542
	376,053	327,083	387,530	292,147

The movements in provision for impairment of trade receivables are as follows:

Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/ period	3,380	13,616	16,121	19,750
Impairment losses recognised	10,756	2,539	3,642	2,159
Impairment losses reversed	–	(34)	(13)	(336)
Amount written off as uncollectible	(520)	–	–	–
At end of the year/period	13,616	16,121	19,750	21,573

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB5,880,628, RMB9,085,508, RMB12,663,760 and RMB12,663,760 with aggregate carrying amounts before provision of RMB58,806,280, RMB72,470,046, RMB12,663,760 and RMB12,663,760 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/ period	2,832	13,462	15,908	19,323
Impairment losses recognised	10,630	2,446	3,415	1,852
At end of the year/period	13,462	15,908	19,323	21,175

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB5,880,628, RMB9,085,508, RMB12,663,760 and RMB12,663,760 with aggregate carrying amounts before provision of RMB58,806,280, RMB72,470,046, RMB12,663,760 and RMB12,663,760 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

The individually impaired trade receivables relate to customers that were in default in principal payments or were in financial difficulties and only a portion of the receivables is expected to be recovered.

An aged analysis of the trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	246,704	186,537	235,542	173,445
Past due within 1 year but not impaired	73,235	74,380	136,101	98,252
	319,939	260,917	371,643	271,697

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	216,619	172,623	215,462	158,534
Past due within 1 year but not impaired	70,417	70,325	125,727	72,080
	287,036	242,948	341,189	230,614

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom that was no recent history of default.

Transferred financial assets that are not derecognised in their entirety

The Group endorsed and discounted certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB74,005,507, RMB131,673,525, RMB81,024,696 and RMB125,854,613 (including the Company: RMB74,005,507, RMB129,699,525, RMB80,428,696 and RMB122,354,613) as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse were RMB74,005,507, RMB131,673,525, RMB81,024,696 and RMB125,854,613 (including the Company: RMB74,005,507, RMB129,699,525, RMB80,428,696 and RMB122,354,613) as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

Transferred financial assets that are derecognised in their entirety

The Group endorsed and discounted certain bills receivable accepted by banks in the PRC (the "Derecognised Bills"), to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB96,117,210, RMB154,749,219, RMB129,337,957 and RMB126,428,625 (including the Company: RMB94,917,210, RMB152,399,219, RMB122,437,957 and RMB118,239,625) as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, respectively. The Derecognised Bills have a maturity from one to six months at the end of the each of Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables	1,043,514	837,198	882,167	676,199
Provision for impairment of deposits and other receivables	(22,320)	(29,000)	(39,931)	(28,127)
	1,021,194	808,198	842,236	648,072
Prepayment to suppliers	135,507	209,463	151,281	225,243
Dividend receivables	900	–	–	–
	1,157,601	1,017,661	993,517	873,315
Portion classified as non-current assets(1)	(49,198)	(62,851)	(21,844)	(26,899)
Current portion	1,108,403	954,810	971,673	846,416

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables	978,585	728,300	760,566	636,600
Provision for impairment of deposits and other receivables	(20,205)	(24,043)	(26,105)	(26,526)
	958,380	704,257	734,461	610,074
Prepayment to suppliers	128,103	205,686	148,785	167,042
Dividend receivables	900	–	–	–
	1,087,383	909,943	883,246	777,116
Portion classified as non-current assets[1]	(49,101)	(62,620)	(21,843)	(26,899)
Current portion	1,038,282	847,323	861,403	750,217

(1) The non-current portion of deposits and other receivables mainly represents performance guarantee amounts held by customers at the end of each of the Relevant Periods.

The movements in provision for impairment of deposits and other receivables are as follows:

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/ period	21,829	22,320	29,000	39,931
Impairment losses recognised	2,079	6,719	10,978	422
Impairment losses reversed	(1,506)	(39)	(47)	(12,226)
Amount written off as uncollectible	(82)	–	–	–
At the end of the year/period	22,320	29,000	39,931	28,127

Included in the above provision for impairment of other receivables are provisions for individually impaired other receivables of RMB9,953,933, RMB9,907,867, RMB19,941,883 and RMB18,000,000 with aggregate carrying amounts before provision of RMB149,539,335, RMB49,539,335, RMB36,468,286 and RMB18,000,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/ period	21,246	20,205	24,043	26,105
Impairment losses recognised	–	3,838	2,062	421
Impairment losses reversed	(1,041)	–	–	–
At end of the year/period	20,205	24,043	26,105	26,526

Included in the above provision for impairment of other receivables are provisions for individually impaired other receivables of RMB9,953,933, RMB9,907,867, RMB19,941,883 and RMB18,000,000 with aggregate carrying amounts before provision of RMB149,539,335, RMB49,539,335, RMB36,468,286 and RMB18,000,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

An aged analysis of the deposits and other receivables, that are neither individually nor collectively considered to be impaired, is as follows:

Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	775,714	622,550	760,144	609,746
Past due within 1 year but not impaired	2,768	11,382	3,500	7,016
	778,482	633,932	763,664	616,762

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	751,134	573,412	700,301	599,676
Past due within 1 year but not impaired	2,670	11,382	3,500	7,016
	753,804	584,794	703,801	606,692

None of the balances except for the deposits and other receivables disclosed above is either past due or impaired, as they relate to balances for which there was no recent history of default.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	58,767	39,852	26,646	29,312
Time deposits	20,480	76,580	42,040	55,984
	79,247	116,432	68,686	85,296
Less: Pledged time deposits:				
Pledged bank balances for bank notes and letters of credit	(20,480)	(76,580)	(42,040)	(55,984)
Cash and cash equivalents	58,767	39,852	26,646	29,312

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	33,116	37,989	22,019	26,684
Time deposits	19,480	75,580	41,040	54,984
	52,596	113,569	63,059	81,668
Less: Pledged time deposits: Pledged bank balances for bank notes and letters of credit	(19,480)	(75,580)	(41,040)	(54,984)
Cash and cash equivalents	33,116	37,989	22,019	26,684

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables, as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	1,382,844	1,649,768	2,523,102	2,405,538
6 months to 1 year	587	27,078	31,268	60,534
1 to 2 years	42,002	113,388	48,416	21,523
2 to 3 years	4,905	36,285	11,331	20,059
Over 3 years	571	4,755	1,098	1,689
	1,430,909	1,831,274	2,615,215	2,509,343

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	1,286,267	1,558,002	2,378,834	2,263,715
6 months to 1 year	–	26,762	26,284	58,209
1 to 2 years	41,690	113,340	48,404	21,942
2 to 3 years	4,905	36,285	11,296	20,059
Over 3 years	571	4,755	1,098	1,691
	1,333,433	1,739,144	2,465,916	2,365,616

The trade payables are non-interest-bearing and are normally settled within terms from three to six months.

26. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	68,630	24,641	60,613	82,434
Accrued salaries, wages and benefits	5,273	6,743	7,148	8,072
Other taxes payable	82,152	92,011	90,221	97,671
Other payables	394,590	220,415	43,953	67,222
	550,645	343,810	201,935	255,399
Portion classified as non-current liabilities[i]	(19,216)	(14,273)	(11,862)	(37,809)
Current portion	531,429	329,537	190,073	217,590

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	68,610	23,671	57,901	78,058
Accrued salaries, wages and benefits	4,478	5,640	5,711	6,238
Other taxes payable	81,120	88,611	84,041	91,877
Other payables	391,187	213,283	33,828	59,065
	545,395	331,205	181,481	235,238
Portion classified as non-current liabilities[i]	(17,814)	(13,317)	(10,946)	(36,802)
Current portion	527,581	317,888	170,535	198,436

The above amounts are unsecured, non-interest-bearing and have no fixed term of settlement.

(i) The non-current portion mainly represents the performance guaranteed amounts from subcontractors and suppliers of the Group at the end of each of the Relevant Periods.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As at 31 December								
	2012			2013			2014		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	%		*RMB'000*	*%*		*RMB'000*	*%*		*RMB'000*
Current									
Bank loans – mortgaged	5.8-7.8	2013	342,200	5.8-7.5	2014	233,800	6.0-7.5	2015	337,700
Bank loans – guaranteed	5.8-20.4	2013	159,550	6.2-21.6	2014	267,080	5.9-21.6	2015	230,880
Bank loans – other	4.7-5.5	2013	10,000	7.1-8.8	2014	80,000	5.3-5.7	2015	66,800
			511,750			580,880			635,380

	As at 30 June 2015		
	Effective interest rate	Maturity	
	%		RMB'000
Current			
Bank loans – mortgaged	5.9-7.5	2015-2016	345,700
Bank loans – guaranteed	5.1-21.6	2015-2016	251,880
Bank loans – other	6.0	2015	3,000
			600,580

Company

	As at 31 December								
	2012			2013			2014		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	%		RMB'000	%		RMB'000	%		RMB'000
Current									
Bank loans – mortgaged	5.8-7.8	2013	342,200	5.8-7.5	2014	233,800	6.0-7.5	2015	337,700
Bank loans – guaranteed	5.8-13.2	2013	151,550	6.2-7.7	2014	256,580	5.9-7.5	2015	209,880
Bank loans – other	4.7-5.5	2013	10,000	7.1-8.8	2014	80,000	5.3-5.7	2015	66,800
			503,750			570,380			614,380

	As at 30 June 2015		
	Effective interest rate	Maturity	
	%		RMB'000
Current			
Bank loans – mortgaged	5.9-7.2	2015-2016	335,700
Bank loans – guaranteed	5.1-7.5	2015-2016	229,880
Bank loans – other	6.0	2015	3,000
			568,580

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	511,750	580,880	635,380	600,580

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	503,750	570,380	614,380	568,580

Notes:

(a) Certain of the Group's buildings with a net carrying amount of approximately RMB97,909,000, RMB102,396,000, RMB99,999,000 and RMB98,165,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively, were pledged to secure general banking facilities granted to the Group and the Company.

(b) As set out in note 35(b), as at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's interest-bearing bank loans and other borrowings of RMB408,400,000, RMB430,030,000, RMB493,830,000 and RMB573,830,000, respectively, are jointly guaranteed by the controlling shareholder and other related parties of our Group, free of charge.

28. SHARE CAPITAL

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share capital	250,000	300,000	400,000	400,000

The movements in share capital are as follows:

		Paid-in capital Year ended 31 December			Share capital Year ended 31 December	Share capital Six months ended 30 June
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period		130,000	250,000	300,000	–	400,000
Shareholders' capital injection	*(i), (ii)*	120,000	50,000	–	–	–
Transformation into a joint stock company						
– Conversion into share capital	*(iii)*	–	–	(300,000)	300,000	–
– Capitalisation of retained profits and statutory surplus reserve	*(iii)*	–	–	–	100,000	–
At end of the year/period		250,000	300,000	–	400,000	400,000

(i) Pursuant to the resolution passed by the Board of Directors in September 2012, the Company's paid-in capital was increased from RMB130 million to RMB250 million by injection of cash of RMB120 million from the shareholders.

(ii) Pursuant to the resolution passed by the board of directors in June 2013, the Company's paid-in capital was increased from RMB250 million to RMB300 million by injection of cash of RMB50 million from the shareholders.

(iii) Pursuant to the resolution passed by the board of directors in December 2014, the Company's share capital was increased from RMB300 million to RMB400 million by the capitalisation of retained profits and statutory surplus reserve, and become a joint stock company with limited liability.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the six months ended 30 June 2014 are presented in the consolidated statement of changes in equity.

(b) Company

	Capital reserve	Statutory surplus reserve	Special reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2012	1,354	16,843	–	161,316	179,513
Profit for the year	–	–	–	45,962	45,962
Total comprehensive income	–	–	–	45,962	45,962
Appropriation to statutory surplus reserve	–	4,596	–	(4,596)	–
Dividends paid	–	–	–	(2,764)	(2,764)
Transfer to special reserve	–	–	(65,901)	65,901	–
Utilisation of special reserve	–	–	65,901	(65,901)	–
As at 31 December 2012 and 1 January 2013	1,354	21,439	–	199,918	222,711
Profit for the year	–	–	–	57,876	57,876
Total comprehensive income	–	–	–	57,876	57,876
Appropriation to statutory surplus reserve	–	5,788	–	(5,788)	–
Transfer to special reserve	–	–	(81,738)	81,738	–
Utilisation of special reserve	–	–	81,738	(81,738)	–
As at 31 December 2013 and 1 January 2014	1,354	27,227	–	252,006	280,587
Profit for the year	–	–	–	84,799	84,799
Total comprehensive income	–	–	–	84,799	84,799
Transformation into a joint stock company	179,233	(27,227)	–	(252,006)	(100,000)
Appropriation to statutory surplus reserve	–	8,480	–	(8,480)	–
Transfer to special reserve	–	–	(88,066)	88,066	–
Utilisation of special reserve	–	–	88,066	(88,066)	–

	Capital reserve	Statutory surplus reserve	Special reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2014 and 1 January 2015	180,587	8,480	–	76,319	265,386
Profit for the period	–	–	–	36,020	36,020
Total comprehensive income	–	–	–	36,020	36,020
Transfer to special reserve	–	–	(46,192)	46,192	–
Utilisation of special reserve	–	–	46,192	(46,192)	–
As at 30 June 2015	180,587	8,480	–	112,339	301,406

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

During the Relevant Periods, the Group had the following major non-cash transactions:

		Year ended 31 December			Six months ended 30 June
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment, amortisation of intangible assets and prepaid land lease payments		9,404	8,388	8,564	4,897
Impairment/(reversal of impairment) of receivables		11,329	9,185	14,560	(9,981)
Increase in share capital by capitalisation of retained profits and statutory surplus reserve	*29*	–	–	100,000	–
Increase in capital reserve by capitalisation of retained profits and statutory surplus reserve	*29*	–	–	179,233	–

31. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

Group and Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to:				
Third parties	249,000	321,000	251,000	109,000

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the banking facilities granted to the third parties subject to guarantees given to banks by the Group and the Company were utilised to the extent of approximately RMB148,920,000, RMB213,060,000, RMB170,980,000 and RMB74,720,000, respectively.

32. PLEDGE OF ASSETS

Details of the Group's bank loans which are mortgaged by the assets of the Group or guaranteed are included in note 27 of this section.

33. OPERATING LEASE ARRANGEMENTS

As lessee

At the end of each of the Relevant Periods, the Group and the Company had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	401	981	1,201
In the second to fifth years, inclusive	–	601	780	392
After five years	–	–	–	–
	–	1,002	1,761	1,593

Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	401	401	416
In the second to fifth years, inclusive	–	601	200	–
After five years	–	–	–	–
	–	1,002	601	416

34. COMMITMENTS

There is no capital commitment at the end of each of the Relevant Periods not provided for in the Financial Information.

35. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Construction contracting services provided to:					
Fellow subsidiaries	174,996	319,630	254,892	106,650	102,793
Associate of fellow subsidiaries	204,103	309,160	133,643	78,250	94,973
Design, survey and consultancy services provided to:					
Fellow subsidiaries	687	1,428	642	530	3
Associate of fellow subsidiaries	–	–	2,540	1,451	–
Installation, disassembly, rent of construction lifting equipment:					
Fellow subsidiaries	–	–	945	–	–

	Year ended 31 December			Six months ended June 30	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of goods:					
Fellow subsidiaries	–	1,392	3,240	2,220	1,254
Purchase of raw materials:					
A company of which the controlling shareholder of the Company is a director	22,670	30,950	24,342	8,510	17,331
Receipt of labour services:					
Fellow subsidiaries	766,822	957,172	1,018,737	463,819	189,676
Borrowings and repayment of loan provided to:					
Holding company	–	–	19,900	–	–
Ultimate controlling shareholder	–	15,000	–	–	–
Fellow subsidiaries	1,069,634	1,317,886	1,043,421	620,913	865,636
Close family member of the director	800	–	–	–	–
Borrowings and repayment of loan received from:					
Holding company	–	–	–	–	19,900
Ultimate controlling shareholder	3,300	13,795	1,205	1,205	–
Fellow subsidiaries	647,347	1,416,404	1,229,803	862,357	1,105,864
Close family member of the director	15	800	–	–	–
Interest received from:					
Fellow subsidiaries	12,050	–	–	–	–

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

(b) Other transactions with related parties:

The Group's interest-bearing bank loans and other borrowings of RMB408,400,000, RMB430,030,000, RMB493,830,000 and RMB573,830,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively, were jointly guaranteed by the controlling shareholder and other related parties of our Group, as set out in note 27(b).

(c) Outstanding balances with related parties:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable:				
Fellow subsidiaries	14,504	39,790	36,177	39,788
Associate of fellow subsidiaries	599	5,564	15,005	15,140
Accounts payable:				
Fellow subsidiaries	–	–	1,018	15,182
A company of which the controlling shareholder of the Company is a director	17,101	35,085	49,417	52,341
Advances from customers:				
Fellow subsidiaries	12,000	1,000	4,000	6,800
Associate of fellow subsidiaries	–	–	20,000	500
Prepayment to suppliers:				
Fellow subsidiaries	–	–	–	707
Other receivables:				
Holding company	–	–	19,900	–
Ultimate controlling shareholder	–	1,205	–	–
Fellow subsidiaries	617,198	523,601	652,169	411,220
Close family member of ultimate controlling shareholder	800	–	–	–
Associate of fellow subsidiaries	–	45,000	45,000	45,000
Key management person of holding company	954	954	954	954
Other payables:				
Fellow subsidiaries	59,350	4,280	1,000	279
Amount due from contract customers:				
Fellow subsidiaries	39,157	62,869	103,782	109,615
Associate of fellow subsidiaries	55,364	114,142	85,346	117,072
Amount due to contract customers:				
Fellow subsidiaries	20,670	100	6,582	4,150
Associate of fellow subsidiaries	8,606	–	3,111	2,161

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Available-for-sale financial investment:				
Available-for-sale investment	3,600	3,600	3,600	3,600
Loans and receivables:				
Trade and bills receivables	485,919	483,284	506,294	465,677
Financial assets included in deposits and other receivables	1,021,194	808,198	842,236	648,072
Pledged deposits	20,480	76,580	42,040	55,984
Cash and bank balances	58,767	39,852	26,646	29,312
	1,589,960	1,411,514	1,420,816	1,202,645
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and bills payables	1,430,909	1,831,274	2,615,215	2,509,343
Financial liabilities included in other payables, advances from customers and accruals	394,590	220,415	43,953	67,222
Interest-bearing bank and other borrowings	511,750	580,880	635,380	600,580
	2,337,249	2,632,569	3,294,548	3,177,145

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Available-for-sale financial investment:				
Available-for-sale investment	3,600	3,600	3,600	3,600
Loans and receivables:				
Trade and bills receivables	450,759	459,073	470,109	417,783
Financial assets included in deposits and other receivables	958,380	704,257	734,461	610,074
Pledged deposits	19,480	75,580	41,040	54,984
Cash and bank balances	33,116	37,989	22,019	26,684
	1,465,335	1,280,499	1,271,229	1,113,125
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and bills payables	1,333,433	1,739,144	2,465,916	2,365,616
Financial liabilities included in other payables, advances from customers and accruals	391,187	213,283	33,828	59,065
Interest-bearing bank and other borrowings	503,750	570,380	614,380	568,580
	2,228,370	2,522,807	3,114,124	2,993,261

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair value of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values as at the end of each of the Relevant Periods, are as follows:

Group

	Carrying amounts			
	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade and bills receivables, non-current portion	17,012	14,502	20,005	17,389
Financial assets included in deposits and other receivables, non-current portion	49,198	62,851	21,844	26,899
	66,210	77,353	41,849	44,288
Financial liabilities				
Financial liabilities at amortised cost:				
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	19,216	14,273	11,862	37,809
	19,216	14,273	11,862	37,809

Group

	Fair value			
	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade and bills receivables, non-current portion	17,012	14,502	20,005	17,389
Financial assets included in deposits and other receivables, non-current portion	46,413	59,293	20,608	25,376
	63,425	73,795	40,613	42,765
Financial liabilities				
Financial liabilities at amortised cost:				
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	18,129	13,385	11,191	35,668
	18,129	13,385	11,191	35,668

Company

	Carrying amounts			
	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade and bills receivables, non-current portion	16,368	14,354	19,192	17,389
Financial assets included in deposits and other receivables, non-current portion	49,101	62,620	21,843	26,899
	65,469	76,974	41,035	44,288

	Carrying amounts			
	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Financial liabilities at amortised cost:				
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	17,814	13,317	10,946	36,802
	17,814	13,317	10,946	36,802

Company

	Fair value			
	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade and bills receivables, non-current portion	16,368	14,354	19,192	17,389
Financial assets included in deposits and other receivables, non-current portion	46,321	59,075	20,607	25,376
	62,689	73,429	39,799	42,765
Financial liabilities				
Financial liabilities at amortised cost:				
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	16,805	12,483	10,326	34,719
	16,805	12,483	10,326	34,719

Management has assessed that the fair values of cash and bank balances, pledged deposits, the current portion of trade and bills receivables, trade payables, interest-bearing loans and other borrowings, the current portion of financial assets included in prepayments, deposits and other receivables and the current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with the senior management twice a year for annual financial reporting.

The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of trade and bills receivables, the non-current portion of financial assets included in prepayments, deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and pledged deposits. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the Board of Directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

	Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
		RMB'000		*RMB'000*
Year ended 31 December 2012				
The benchmark Deposit and Lending Rate of RMB	100	(2,377)	100	(2,351)
The benchmark Deposit and Lending Rate of RMB	(100)	2,377	(100)	2,351
Year ended 31 December 2013				
The benchmark Deposit and Lending Rate of RMB	100	(2,237)	100	(2,209)
The benchmark Deposit and Lending Rate of RMB	(100)	2,237	(100)	2,209
Year ended 31 December 2014				
The benchmark Deposit and Lending Rate of RMB	100	(2,411)	100	(2,371)
The benchmark Deposit and Lending Rate of RMB	(100)	2,411	(100)	2,371
Six months ended 30 June 2015				
The benchmark Deposit and Lending Rate of RMB	100	(3,106)	100	(2,984)
The benchmark Deposit and Lending Rate of RMB	(100)	3,106	(100)	2,984

Credit risk

The carrying amounts of cash and bank balances, pledged deposits, trade and bills receivables, and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and bank balances and pledged deposits are held in major financial institutions located in Mainland China, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 22 to the Financial Information.

Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

	Within 1 year	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2012				
Trade and bills payables	1,430,909	–	–	1,430,909
Financial liabilities included in other payables, advances from customers and accruals	531,429	19,216	–	550,645
Interest-bearing bank and other borrowings	527,867	–	–	527,867
Guarantees given to banks in connection with facilities granted to third parties	148,920	–	–	148,920
Total	2,639,125	19,216	–	2,658,341
31 December 2013				
Trade and bills payables	1,831,274	–	–	1,831,274
Financial liabilities included in other payables, advances from customers and accruals	329,537	14,273	–	343,810
Interest-bearing bank and other borrowings	596,127	–	–	596,127
Guarantees given to banks in connection with facilities granted to third parties	213,060	–	–	213,060
Total	2,969,998	14,273	–	2,984,271

	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014				
Trade and bills payables	2,615,215	–	–	2,615,215
Financial liabilities included in other payables, advances from customers and accruals	190,073	11,862	–	201,935
Interest-bearing bank and other borrowings	652,148	–	–	652,148
Guarantees given to banks in connection with facilities granted to third parties	170,980	–	–	170,980
Total	3,628,416	11,862	–	3,640,278
30 June 2015				
Trade and bills payables	2,509,343	–	–	2,509,343
Financial liabilities included in other payables, advances from customers and accruals	217,590	37,809	–	255,399
Interest-bearing bank and other borrowings	621,708	–	–	621,708
Guarantees given to banks in connection with facilities granted to third parties	74,720	–	–	74,720
Total	3,423,361	37,809	–	3,461,170

Company

	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2012				
Trade and bills payables	1,333,433	–	–	1,333,433
Financial liabilities included in other payables, advances from customers and accruals	527,581	17,814	–	545,395
Interest-bearing bank and other borrowings	519,524	–	–	519,524
Guarantees given to banks in connection with facilities granted to third parties	148,920	–	–	148,920
Total	2,529,458	17,814	–	2,547,272

	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2013				
Trade and bills payables	1,739,144	–	–	1,739,144
Financial liabilities included in other payables, advances from customers and accruals	317,888	13,317	–	331,205
Interest-bearing bank and other borrowings	585,346	–	–	585,346
Guarantees given to banks in connection with facilities granted to third parties	213,060	–	–	213,060
Total	2,855,438	13,317	–	2,868,755
31 December 2014				
Trade and bills payables	2,465,916	–	–	2,465,916
Financial liabilities included in other payables, advances from customers and accruals	170,535	10,946	–	181,481
Interest-bearing bank and other borrowings	630,564	–	–	630,564
Guarantees given to banks in connection with facilities granted to third parties	170,980	–	–	170,980
Total	3,437,995	10,946	–	3,448,941
30 June 2015				
Trade and bills payables	2,365,616	–	–	2,365,616
Financial liabilities included in other payables, advances from customers and accruals	198,436	36,802	–	235,238
Interest-bearing bank and other borrowings	587,878	–	–	587,878
Guarantees given to banks in connection with facilities granted to third parties	74,720	–	–	74,720
Total	3,226,650	36,802	–	3,263,452

Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders or sell to reduce debts. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank and other borrowings and related party and third party borrowings, less cash and bank balances and pledged deposits. Capital includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statements of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December			**As at 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	511,750	580,880	635,380	600,580
Related party and third-party borrowings	355,695	173,933	16,193	5,948
Cash and bank balances *(note 24)*	(58,767)	(39,852)	(26,646)	(29,312)
Pledged deposits *(note 24)*	(20,480)	(76,580)	(42,040)	(55,984)
Net debt	788,198	638,381	582,887	521,232
Total equity	478,902	592,622	675,445	720,953
Gearing ratio	165%	108%	86%	72%

III. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or the Group after 30 June 2015.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2015.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

This information set forth in this Appendix II does not form part of the accountants' report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I in this Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this Prospectus and the accountants' report set forth in Appendix I in this Prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets attributable to the Shareholders of the Company has been prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the Shareholders of the Company as of 30 June 2015, as if the Global Offering had taken place on 30 June 2015.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of 30 June 2015 or at any future date.

	Consolidated net tangible assets attributable to Shareholders of the Company as of 30 June 2015(1)	**Estimated net proceeds from the Global Offering(2)**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the Shareholders of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an Offer Price of HK$1.25 per Share	715,023	129,352	844,375	1.58	1.90
Based on an Offer Price of HK$1.45 per Share	715,023	150,960	865,983	1.62	1.94

Notes:

(1) The consolidated net tangible assets attributable to the Shareholders of the Company as of 30 June 2015 is extracted from the Accountants' Report set out in Appendix I in this Prospectus, which is based on the consolidated net assets attributable to the Shareholders of the Company as of 30 June 2015 of RMB716.2 million after deducting intangible assets of RMB1.2 million.

(2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK$1.25 and HK$1.45, after deducting the underwriting fees and other related expenses payable by the Company, without taking account of the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into Renminbi at the PBOC rate of HK$1.00 = RMB0.83529 prevailing on 21 December 2015.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 533,360,000 Shares, being the number of shares in issue assuming that the Global Offering had been completed on 30 June 2015, without taking account of the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share amounts in RMB are converted into Hong Kong dollars at HK$1.00 = RMB0.83529 prevailing on 21 December 2015.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

30 December 2015

To the Directors of Jujiang Construction Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Jujiang Construction Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 June 2015 and related notes as set out on pages II-1 to II-2 of this Prospectus dated 30 December 2015 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 June 2015 as if the transaction had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2015, on which an accountants' report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Prospectus received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with its valuations as at 31 October 2015 of the property interests of the Group.

16/F, Jardine House
1 Connaught Place
Central, Hong Kong

30 December 2015

The Board of Directors
Jujiang Construction Group Co., Ltd.
No. 669 Qingfeng South Road (South)
Tongxiang City
Zhejiang Province
PRC

Dear Sirs,

Preliminary

In accordance with your instructions to value the properties in which Jujiang Construction Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China ("PRC"). We confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 October 2015 (the "valuation date").

Basis of Valuation

Our valuations of the property interests represent the "market value" which we would define as intended to mean "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".

The valuations have been prepared in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the International Valuation Standards (2013) published by the International Valuation Standards Council effective from 1 January 2014; and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors effective from 1 January 2013.

Valuation Assumptions

Our valuations have 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.

As the properties in the PRC 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.

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.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and/or official plans handed to us by the Group are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Site Inspection

We have inspected the exterior and, where possible, the interior of the properties. However, 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.

Valuation Methodology

In the valuation of the property interest in Group I (property interest owned by the Group for investment in the PRC), we have adopted the Term and Reversion Analysis. This method is used when the passing rent differs from the Estimated Rental Value (ERV). It operates by taking into account the net rental income of the property derived from the existing tenancy with due allowance for the reversionary income potential of the tenancy, which are then capitalised into the value at an appropriate capitalisation rate.

In the valuations of the property interests in Group II (property interests owned and occupied by the Group in the PRC), where applicable, we have adopted the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant markets.

In valuing the property interest of Property No. 2 in Group II with proper title certificates, due to the nature of the buildings and structures that were constructed, there are no readily identifiable market comparable transactions. In the course of our valuation, we have considered their values by Depreciated Replacement Cost method.

The Depreciated Replacement Cost method when used must always subject to adequate potential profitability of the business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed.

Depreciated Replacement Cost is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization.

The Depreciated Replacement Cost of the property generally provides the most reliable indication of value for the property in the absence of a known market based on comparable sales.

We have attributed no commercial value to the property interests in Group III (property interests leased and occupied by the Group in the PRC), which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, identification of the properties and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Title Investigations

We have been, in some instances, provided by the Group with extracts of the title documents including State-owned Land Use Rights Grant Contracts, State-owned Land Use Rights Certificates and Building Ownership Certificates relating to the property interests in the PRC, and have made relevant enquiries. However, we have not searched the original documents to verify the existing titles to the property interests and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Company's legal advisers – Allbright Law Offices, concerning the validity of the Group's titles to the property interests in the PRC.

Currency

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor
(General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor (General Practice) who has over 22 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

GROUP I – PROPERTY INTEREST OWNED BY THE GROUP FOR INVESTMENT IN THE PRC

No.	Property	Market Value in existing state as at 31 October 2015	Interest attributable to the Group	Market Value in existing state as at 31 October 2015 attributable to the Group
		RMB		*RMB*
1.	An Industrial Complex located at No. 92 Fuxing Road South, Wutong Street, Tongxiang, Zhejiang Province, PRC 位於 中國浙江省 桐鄉市梧桐街道 復興南路92號的廠房	6,300,000	100%	6,300,000
	Sub-total:	6,300,000		6,300,000

GROUP II – PROPERTY INTERESTS OWNED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Market Value in existing state as at 31 October 2015	Interest attributable to the Group	Market Value in existing state as at 31 October 2015 attributable to the Group
		RMB		*RMB*
2.	An Industrial Complex located at Land Parcel No. A-03, Economic Development Zone, Wutong Street, Tongxiang, Zhejiang Province, PRC 位於 中國浙江省 桐鄉市梧桐街道 經濟開發區A-03號地塊的廠房	2,300,000	100%	2,300,000

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 October 2015	Interest attributable to the Group	Market Value in existing state as at 31 October 2015 attributable to the Group
		RMB		*RMB*
3.	Jujiang Technology Building No. 669 Qingfeng South Road (South), Wutong Street, Tongxiang, Zhejiang Province, PRC 中國浙江省 桐鄉市梧桐街道 慶豐南路（南）669號 巨匠科技大廈	109,500,000	100%	109,500,000
4.	Units 102 and 502, Block No. 4 East District of Yang Jia Men, Wutong Street, Tongxiang, Zhejiang Province, PRC 中國浙江省 桐鄉市梧桐街道 楊家門東區4幢 102室及502室	730,000	100%	730,000

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 October 2015	Interest attributable to the Group	Market Value in existing state as at 31 October 2015 attributable to the Group
		RMB		*RMB*
5.	Unit 508, Block No. 3, Yuxing Street North, Wutong Street, Tongxiang, Zhejiang Province, PRC 中國浙江省 桐鄉市梧桐街道 魚行街北3幢 508室	340,000	100%	340,000
6.	Units 101 & 102, Block No. 1 No. 15 Yang Jia Men, Wutong Street, Tongxiang, Zhejiang Province, PRC 中國浙江省 桐鄉市梧桐街道 楊家門15號1幢 101室及102室	No commercial value	100%	Nil
	Sub-total:	112,870,000		112,870,000

SUMMARY OF VALUES

GROUP III – PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Market Value in existing state as at 31 October 2015	Interest attributable to the Group	Market Value in existing state as at 31 October 2015 attributable to the Group
		RMB		*RMB*
7.	Level 5 of Administration Tower and Workshop No. 3 No. 2289 Huancheng Road South, Economic Development Zone, Tongxiang, Zhejiang Province, PRC 中國浙江省 桐鄉市經濟開發區 環城南路2289號 行政辦公大樓5樓及3號廠房	No Commercial Value	70%	Nil
8.	Portion of Level 17, Hefei Commerce Building, Xiuning Road, Shushan District, Hefei, Anhui Province, PRC 中國安徽省 合肥市蜀山區 休寧路 合肥市總商會大廈 17層的部分	No Commercial Value	100%	Nil
	Sub-total:	Nil		Nil
	Grand-total:	119,170,000		119,170,000

VALUATION CERTIFICATE

GROUP I – PROPERTY INTEREST OWNED BY THE GROUP FOR INVESTMENT IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2015
				RMB
1.	An Industrial Complex located at No. 92 Fuxing Road South, Wutong Street, Tongxiang, Zhejiang Province, PRC 位於中國浙江省桐鄉市梧桐街道復興南路92號的廠房	The property comprises a parcel of land with a site area of approximately 2,805.7 square metres on which are erected a 6-level office building, a 2-level ancillary building, a garage and a car park basement and various ancillary structures which were completed in about 1994. The total gross floor area of the property is approximately 3,771.9 square metres. The breakdown of the gross floor area of the property is listed below: **Building** — **Gross Floor Area** *(sq.m.)* Ancillary Building — 839.21 Garage — 61.07 Office Building — 2,472.02 Car park Basement — 399.6 Total — 3,771.90 The land use rights of the property were granted for a term of expiring on 30 November 2044 for industrial uses.	Portion of the property with a gross floor area of approximately 800.52 square metres is leased to a third party for a term expiring on 30 June 2017 at a monthly rent of RMB22,916.67, exclusive of management fee and utility charges. Portion of the property with a gross floor area of approximately 1,150.97 square metres is leased to a third party for a term expiring on 31 December 2017 at an annual rent of RMB190,000, exclusive of management fee and utility charges. The remaining portion of the property is vacant.	6,300,000 *(100% interest attributable to the Group: RMB6,300,000)*

Notes:

1. The property was inspected by Mr. Kit Cheung *MRICS MHKIS* on 4 March 2015. Mr. Kit Cheung is a Member of The Royal Institution of Chartered Surveyors (RICS) and a Member of The Hong Kong Institute of Surveyors (HKIS), with over six years' experience in real estate valuations.

2. The general description of the property is summarized as below:

Location:	The property abuts Fuxing South Road to the east and Changle Road to the north, a residential development called Tongkun is located to the northwest to the property and opposite to the south of the property is Kangle Road.
Transportation:	Tongxiang Railway Station is located within a 20-minute driving distance from the property.
Nature of Surrounding Area:	The subject area is a predominately residential area in Tongxiang.

3. Pursuant to a Land Use Rights Certificate, Tong Guo Yong (2015) Di No. 02039 dated 4 March 2015 and issued by the People's Government of Tongxiang (桐鄉市人民政府), the land use rights of the property with a total site area of 2,805.70 square metres were granted to Jujiang Construction Group Co., Ltd. (巨匠建設集團股份有限公司) (the "Company") for a term expiring on 30 November 2044 for industrial uses.

4. Pursuant to four Building Ownership Certificates issued by the Planning and Construction Bureau of Tongxiang (桐鄉市規劃建設局), the building ownership rights of the property with a total gross floor area of 3,771.90 square metres were vested in the Company with details as follows:

Building	**Certificate No.**	**Date of Issue**	**Gross Floor Area**
			(sq.m.)
Block No. 1	Tong Fang Quan Zheng Tong Zi Di No. 00317293	4 March 2015	839.21
Block No. 3	Tong Fang Quan Zheng Tong Zi Di No. 00317294	4 March 2015	61.07
Block No. 4	Tong Fang Quan Zheng Tong Zi Di No. 00317295	4 March 2015	399.6
Block No. 5	Tong Fang Quan Zheng Tong Zi Di No. 00317296	4 March 2015	2,472.02
Total:			3,771.9

5. Pursuant to a tenancy agreement dated 4 June 2014 entered into between the Company and China Pacific Property Insurance Co., Ltd (中國太平洋財產保險股份有限公司), a portion of the property with a gross floor area of approximately 800.52 square metres is leased for a term expiring on 30 June 2017 at a monthly rent of RMB22,916.67, exclusive of management fee and utility charges.

6. Pursuant to a tenancy agreement dated 1 December 2014 entered into between the Company and Zhejiang Lixin Construction Development Co., Ltd (浙江立信建設發展有限公司), a portion of the property with a gross floor area of approximately 1,150.97 square metres is leased for a term expiring on 31 December 2017 at an annual rent of RMB190,000, exclusive of management fee and utility charges.

7. Pursuant to a Maximum Amount Mortgage Contract dated 5 March 2015 entered into between Tongxiang Rural Credit Cooperative, Gao Qiao Credit Cooperative (桐鄉市農村信用合作聯社高橋信用社) ("Mortgagee") and the Company, the property held under Tong Guo Yong (2015) Di No. 02039 and Tong Fang Quan Zheng Tong Zi Di No. 00317293-6 is subject to a mortgage in favour of the Mortgagee to secure the maximum amount of RMB5,800,000.

8. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:

   a. The Group obtained the respective Land Use Rights Certificate and Building Ownership Rights Certificates of the property and legally own the property;

   b. The uses of the land of the property is in compliance with the permitted uses of the government. There is no risk that the Group will be subject to punishment for any violation of the permitted uses of the land; and

   c. The Group is entitled to occupy, use, lease, transfer, mortgage or other legitimate ways to handle the property within the term specified in the title certificates.

VALUATION CERTIFICATE

GROUP II – PROPERTY INTERESTS OWNED AND OCCUPIED BY THE GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2015
				RMB
2.	An Industrial Complex located at Land Parcel No. A-03, Economic Development Zone, Wutong Street, Tongxiang, Zhejiang Province, PRC 位於中國浙江省桐鄉市梧桐街道經濟開發區A-03號地塊的廠房	The property comprises a parcel of land with a site area of approximately 3,001.91 square metres, on which are erected a 2-level office building and various ancillary structures which were completed in about 2002. The total gross floor area of the property is approximately 291.48 square metres. The breakdown of the property is listed below: **Building** / **Gross Floor Area** *(sq.m.)* Office: 291.48 The land use rights of the property were granted for a term expiring on 18 June 2052 for industrial uses.	The property is currently occupied by the Group for industrial purposes.	2,300,000 *(100% interest attributable to the Group: RMB2,300,000)*

Notes:

1. The property was inspected by Mr. Kit Cheung *MRICS MHKIS* on 4 March 2015. Mr. Kit Cheung is a Member of The Royal Institution of Chartered Surveyors (RICS) and a Member of The Hong Kong Institute of Surveyors (HKIS), with over six years' experience in real estate valuations.

2. The general description of the property is summarized as below:

Location:	The property abuts Wutong West Road to the northwest, a small river to the south and Tongxiang Chemical Co., Ltd across Fuxing South Road to the east.
Transportation:	Tongxiang Railway Station is located within a 20-minute driving distance from the property.
Nature of Surrounding Area:	The subject area is a predominately industrial area in Tongxiang.

3. Pursuant to a Land Use Rights Certificate, Tong Guo Yong (2010) Di No. 17658 dated 18 September 2010 and issued by the People's Government of Tongxiang (桐鄉市人民政府), the land use rights of the property with a total site area of 3,001.91 square metres were granted to the predecessor of the Company, Jujiang Construction Group Limited (巨匠建設集團有限公司) (the "Predecessor Company") for a term expiring on 18 June 2052 for industrial uses.

4. Pursuant to a Building Ownership Certificate, Tong Fang Quan Zeng Tong Zi Di No. 00184427 issued by the Planning and Construction Bureau of Tongxiang (桐鄉市規劃建設局), the building ownership rights of the property with a gross floor area of 291.48 square metres were vested in the Predecessor Company.

5. Pursuant to a Maximum Amount Mortgage Contract entered into between China Merchants Bank Company Limited, Jiaxing Tongxiang Branch (招商銀行股份有限公司嘉興桐鄉分行) ("Mortgagee") and the Predecessor Company, the property held under Tong Guo Yong (2010) Di No. 17658 and Tong Fang Quan Zheng Tong Zi Di No. 00184427 is subject to a mortgage in favour of the Mortgagee to secure the maximum amount of RMB2,681,000.

6. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:

   a. The Group obtained the respective Land Use Rights Certificate and Building Ownership Rights Certificate of the property and legally own the property;

   b. The uses of the land of the property is in compliance with the permitted uses of the government. There is no risk that the Group will be subject to punishment for any violation of the permitted uses of the land; and

   c. The Group is entitled to occupy, use, lease, transfer, mortgage or other legitimate ways to handle the property within the term specified in the title certificates.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2015
				RMB
3.	Jujiang Technology Building, No. 669 Qingfeng South Road (South), Wutong Street, Tongxiang, Zhejiang Province, PRC 中國浙江省 桐鄉市梧桐街道 慶豐南路（南） 669號 巨匠科技大廈	The property comprises the whole of a 16-level office building which was completed in about 2011. The gross floor area of the property is approximately 17,662.13 square metres. The land use rights of the property were granted for a term expiring on 4 April 2050 for business and finance uses.	The property is currently occupied by the Group for office purposes.	109,500,000 *(100% interest attributable to the Group: RMB109,500,000)*

Notes:

1. The property was inspected by Mr. Kit Cheung *MRICS MHKIS* on 4 March 2015. Mr. Kit Cheung is a Member of The Royal Institution of Chartered Surveyors (RICS) and a Member of The Hong Kong Institute of Surveyors (HKIS), with over six years' experience in real estate valuations.

2. The general description of the property is summarized as below:

Location:	The property abuts Jiyun Road to the north, Huancheng South Road to the south, Qingfeng South Road to the west and Zhejiang Dingtai Pharmaceutical Co., Ltd to the east.
Transportation:	Tongxiang Railway Station is located within a 15-minute driving distance from the property.
Nature of Surrounding Area:	The subject area is a predominately industrial area in Tongxiang.

3. Pursuant to a Land Use Rights Grant Contract dated 2 March 2010 and entered into between the Land and Resources Bureau of Tongxiang (桐鄉市國土資源局) and Jujiang Construction Group Co., Ltd. (巨匠建設集團股份有限公司) (the "Company"), the land use rights of the site of the property with a site area of 11,697.93 square metres were granted for a term of 40 years commenced from 5 April 2010 for business and finance uses, subject to a consideration of RMB9,830,000.

4. Pursuant to a Land Use Rights Certificate, Tong Guo Yong (2015) Di No. 03048 dated 2 April 2015 and issued by the People's Government of Tongxiang (桐鄉市人民政府), the land use rights of the property with a total site area of 11,697.93 square metres were granted to the Company for a term expiring on 4 April 2050 for business and finance uses.

5. Pursuant to a Building Ownership Certificate, Tong Fang Quan Zheng Tong Zi Di No. 00318791 issued by Tongxiang Housing and Urban-Rural Planning and Construction Bureau (桐鄉市住房和城鄉規劃建設局), the building ownership rights of the property with a total gross floor area of 17,662.13 square metres were vested in the Company.

6. Pursuant to a Maximum Amount Mortgage Contract dated 2 April 2015 and entered into between Tongxiang Branch of China Construction Bank ("Mortgagee") and the Company, the property held under Tong Guo Yong (2015) Di No. 03048 and Tong Fang Quan Zheng Tong Zi Di No. 00318791 is subject to a mortgage in favour of the Mortgagee to secure the amount of RMB156,278,785.

7. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:

   a. The Group obtained the respective Land Use Rights Certificate and Building Ownership Rights Certificate of the property and legally own the property;

   b. The uses of the land of the property is in compliance with the permitted uses of the government. There is no risk that the Group will be subject to punishment for any violation of the permitted uses of the land; and

   c. The Group is entitled to occupy, use, lease, transfer, mortgage or other legitimate ways to handle the property within the term specified in the title certificates.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2015
				RMB
4.	Units 102 and 502, Block No. 4 East District of Yang Jia Men, Wutong Street, Tongxiang, Zhejiang Province, PRC 中國浙江省桐鄉市梧桐街道楊家門東區4幢102室及502室	The property comprises two residential units on level one and level five of a 5-level residential building which was completed in about 1995. The gross floor area of the property is approximately 145.2 square metres. The land use rights of the property were granted for a term expiring on 24 December 2063 for urban residential uses.	The property is currently occupied by the Group.	730,000 *(100% interest attributable to the Group: RMB730,000)*

Notes:

1. The property was inspected by Mr. Kit Cheung *MHKIS MRICS* on 4 March 2015. Mr. Kit Cheung is a Member of The Hong Kong Institute of Surveyors (HKIS) and a Member of The Royal Institution of Chartered Surveyors (RICS), with over six years' experience in real estate valuations.

2. The general description of the property is summarized as below:

Location:	The property abuts Yangjiamen Road to the south, Chengnan village to the north, Runfeng Pedestrian Street to the east and other residential buildings of Yangjiamen Society to the west.
Transportation:	Tongxiang Railway Station is located within a 20-minute driving distance from the property.
Nature of Surrounding Area:	The subject area is a predominately residential area in Tongxiang.

3. Pursuant to a Land Use Rights Certificate, Tong Guo Yong (2015) Di No. 06265 dated 15 June 2015 and issued by the People's Government of Tongxiang (桐鄉市人民政府), the land use rights of the property with a site area of 34.06 square metres were granted to Zhejiang Jujiang Construction Surveying and Design Co., Ltd. (浙江巨匠建築勘察設計有限公司) ("Jujiang Design") for a term expiring on 24 December 2063 for urban residential uses.

4. Pursuant to a Building Ownership Certificate, Tong Fang Quan Zheng Tong Zi Di No. 00323669 and issued by the Tongxiang Housing and Urban-Rural Planning and Construction Bureau (桐鄉市住房和城鄉規劃建設局), the building ownership rights of the property with a total gross floor area of 145.2 square metres were granted to Jujiang Design for urban residential uses.

5. Jujiang Design is a wholly-owned subsidiary of the Company.

6. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:

   a. The Group obtained the respective Land Use Rights Certificate and Building Ownership Rights Certificate of the property and legally own the property;

   b. The uses of the land of the property is in compliance with the permitted uses of the government. There is no risk that the Group will be subject to punishment for any violation of the permitted uses of the land; and

   c. The Group is entitled to occupy, use, lease, transfer, mortgage or other legitimate ways to handle the property within the term specified in the title certificates.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2015
				RMB
5.	Unit 508, Block No. 3, Yuxing Street North, Wutong Street, Tongxiang, Zhejiang Province, PRC 中國浙江省桐鄉市梧桐街道魚行街北3幢508室	The property comprises a residential unit on level five of a 5-level residential building which was completed in about 2002. The gross floor area of the property is approximately 64.8 square metres. The land use rights of the property were granted for a term expiring on 4 March 2070 for urban residential uses.	The property is currently occupied by the Group.	340,000 *(100% interest attributable to the Group: RMB340,000)*

Notes:

1. The property was inspected by Mr. Kit Cheung *MHKIS MRICS* on 4 March 2015. Mr. Kit Cheung is a Member of the Hong Kong Institute of Surveyors (HKIS) and a Member of the Royal Institution of Chartered Surveyors (RICS), with over six years' experience in real estate valuations.

2. The general description of the property is summarized as below:

Location:	The property abuts Yuxing Street to the south, Beigang Pedestrian Street to the north, Wutong Street to the west and Chenghe Road to the east.
Transportation:	Tongxiang Railway Station is located within a 20-minute driving distance from the property.
Nature of Surrounding Area:	The subject area is a predominately residential area in Tongxiang.

3. Pursuant to a Land Use Rights Certificate, Tong Guo Yong (2015) Di No. 06263 dated 15 June 2015 and issued by the People's Government of Tongxiang (桐鄉市人民政府), the land use rights of the property with a site area of 19.78 square metres were granted to Zhejiang Jujiang Construction Surveying and Design Co., Ltd. (浙江巨匠建築勘察設計有限公司) ("Jujiang Design") for a term expiring on 4 March 2070 for urban residential uses.

4. Pursuant to a Building Ownership Certificate, Tong Fang Quan Zheng Tong Zi Di No. 00323667 and issued by the Tongxiang Housing and Urban-Rural Planning and Construction Bureau (桐鄉市住房和城鄉規劃建設局), the building ownership rights of the property with a total gross floor area of 64.8 square metres were granted to Jujiang Design for residential uses.

5. Jujiang Design is a wholly-owned subsidiary of the Company.

6. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:

   a. The Group obtained the respective Land Use Rights Certificate and Building Ownership Rights Certificate of the property and legally own the property;

   b. The uses of the land of the property is in compliance with the permitted uses of the government. There is no risk that the Group will be subject to punishment for any violation of the permitted uses of the land; and

   c. The Group is entitled to occupy, use, lease, transfer, mortgage or other legitimate ways to handle the property within the term specified in the title certificates.

VALUATION CERTIFICATE

Property		Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2015
				RMB
6.	Units 101 & 102, Block No. 1 No. 15 Yang Jia Men, Wutong Street, Tongxiang, Zhejiang Province, PRC 中國浙江省桐鄉市梧桐街道楊家門15號1幢101室及102室	The property comprises two residential units on level one of a 5-level residential building which was completed in about 1995. The gross floor area of the property is approximately 178.16 square metres. The land use rights of the property were allocated for urban residential uses.	The property is currently occupied as shops.	No commercial value *(100% interest attributable to the Group: RMBNil)*

Notes:

1. The property was inspected by Mr. Kit Cheung *MHKIS MRICS* on 4 March 2015. Mr. Kit Cheung is a Member of The Hong Kong Institute of Surveyors (HKIS) and a Member of The Royal Institution of Chartered Surveyors (RICS), with over six years' experience in real estate valuations.

2. The general description of the property is summarized as below:

Location:	The property abuts Yangjiamen Road to the north, Radio and Television Building to the south, a shopping centre namely New World is located to the east of the Property and opposite to the west of the property is Yuanlin Road.
Transportation:	Tongxiang Railway Station is located within a 20-minute driving distance from the property.
Nature of Surrounding Area:	The subject area is a predominately residential area in Tongxiang.

3. Pursuant to a Land Use Rights Certificate, Tong Guo Yong (2015) Di No. 06266 dated 15 June 2015 and issued by the People's Government of Tongxiang (桐鄉市人民政府), the land use rights of the property with a site area of 43.67 square metres were allocated to Zhejiang Jujiang Construction Surveying and Design Co., Ltd. (浙江巨匠建築勘察設計有限公司 ("Jujiang Design") for urban residential uses.

4. Pursuant to a Building Ownership Certificate, Tong Fang Quan Zheng Tong Zi Di No. 00323668 and issued by the Tongxiang Housing and Urban-Rural Planning and Construction Bureau (桐鄉市住房和城鄉規劃建設局), the building ownership rights of the property with a total gross floor area of 178.16 square metres were allocated to Jujiang Design for residential uses.

5. We have attributed no commercial value to the property as the nature of the land use rights of the property is allocated land and the property cannot be freely transferred, leased, mortgaged or disposed of in the market.

6. Jujiang Design is a wholly-owned subsidiary of the Company.

7. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:

   a. The Group obtained the respective Land Use Rights Certificate and Building Ownership Rights Certificate of the property and legally own the property;

   b. The uses of the land of the property is in compliance with the permitted uses of the government. There is no risk that the Group will be subject to punishment for any violation of the permitted uses of the land; and

   c. The Group is entitled to occupy and use the property. The Group is also entitled to transfer, lease or mortgage the property after completion of the land grant procedure at the relevant land authority and settlement of relevant land premium.

VALUATION CERTIFICATE

GROUP III – PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2015
				RMB
7.	Level 5 of Administration Tower and Workshop No. 3 No. 2289 Huancheng Road South, Economic Development Zone, Tongxiang, Zhejiang Province, PRC 中國浙江省桐鄉市經濟開發區環城南路2289號行政辦公大樓5樓及3號廠房	The property comprises an office on level 5 of a 5-level office building and a workshop located within an industrial complex completed in about 2008. The gross floor areas of the office and workshop are approximately 462 square metres and 4,768.6 square metres respectively. The property is currently leased by Jiaxing Jujiang Defense Equipment Co., Ltd. (嘉興巨匠防護設備有限公司) ("Jujiang Defense Equipment") for a term commenced from 1 January 2014 and expiring on 31 December 2016 at a monthly rent of RMB49,690.51 exclusive of water & electricity charges.	The property is currently occupied by the Group for industrial and ancillary office uses.	No Commercial Value

Notes:

1. The property was inspected by Mr. Kit Cheung *MHKIS MRICS* on 4 March 2015. Mr. Kit Cheung is a Member of The Hong Kong Institute of Surveyors (HKIS) and a Member of The Royal Institution of Chartered Surveyors (RICS), with over six years' experience in real estate valuations.

2. The general description of the property are summarized as below:

Location:	The property abuts Huancheng South Road to the north, Binhai Road to the east and Huancheng West Road to the west.
Transportation:	Tongxiang Railway Station is located within a 20-minute driving distance from the property.
Nature of Surrounding Area:	The subject area is a predominately industrial area in Tongxiang.

3. Pursuant to a tenancy agreement dated 31 December 2013 entered into between Jiaxing Jujiang Defense Equipment Co., Ltd. (嘉興巨匠防護設備有限公司) and Zhejiang Tongli Heavy Machinery Manufacturing Co., Ltd. (浙江同力重型機械製造有限公司), an office and a workshop with gross floor areas of 462 square metres and 4,768.6 square metres respectively were leased to Jujiang Defense Equipment for a term commenced from 1 January 2014 and expiring on 31 December 2016 at a monthly rent of RMB49,690.51, exclusive of water & electricity charges.

4. Jujiang Defense Equipment is a 70%-owned subsidiary of the Company.

5. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:

   - The property is in compliance with relevant leasing standard and valid for lease.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2015
				RMB
8.	Portion of Level 17, Hefei Commerce Building, Xiuning Road, Shushan District, Hefei, Anhui Province, PRC 中國安徽省合肥市蜀山區休寧路合肥市總商會大廈17層的部分	The property comprises a portion of level 17 of a 22-level office building erected on a 4-level retail podium, plus two basement car parking levels completed in about 2010. The total gross floor area of the property is approximately 834.73 square metres. The property is currently leased by the Anhui Branch Office of Jujiang Construction Group Co., Ltd. (巨匠建設集團股份有限公司安徽分公司) (the "Anhui Branch Office") for a term commenced from 1 July 2013 and expiring on 30 June 2016 at a monthly rent of RMB40 per square metres, exclusive of management fees, water & electricity and other utility charges.	The property is currently occupied by the Group for office uses.	No Commercial Value

Notes:

1. The property was inspected by Mr. Samson Ho *MHKIS MRICS* on 19 March 2015. Mr. Samson Ho is a Member of The Hong Kong Institute of Surveyors (HKIS) and a Member of The Royal Institution of Chartered Surveyors (RICS), with over eight years' experience in real estate valuations.

2. The general description of the property is summarized as below:

Location:	The subject building abuts Huaining Road to the west, Xiuning Road to the north, a vacant land to east and an office tower to the south.
Transportation:	The subject building is within 40-minutes driving distance from Hefei Xinqiao International Airport and 15-minutes driving distance from Hefei West Railway Station.
Nature of Surrounding Area:	The subject area is a predominately commercial area in Shushan District.

3. Pursuant to a tenancy agreement dated 26 June 2013 entered into between the Anhui Branch Office and Wang Hui (汪慧), the property with a gross floor area of 834.73 square metres was leased to the Anhui Branch Office for a term commenced from 1 July 2013 and expiring on 30 June 2016 at a monthly rent of RMB40 per square metres, exclusive of management fees, water & electricity charges and other utility charges.

4. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:

   - The property is in compliance with relevant leasing standard and valid for lease.

This appendix contains a summary of laws and regulations in respect of taxation and foreign exchange in the PRC and Hong Kong.

TAXATION IN THE PRC

Taxation of Dividends

Individual investors

According to the IIT Law, effective on 1 September 2011 and the *Regulations on Implementation of the Individual Income Tax Law of the PRC* (中華人民共和國個人所得稅法實施條例), dividends paid by PRC companies to individuals are subject to IIT with the tax rate of 20%.

According to the *Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered* Guo Shui Fa [1993] No. 045 (國家稅務總局關於國稅發 [1993] 045號文件廢止後有關個人所得稅徵管問題的通知) promulgated by the SAT on 28 June 2011, for a foreign individual shareholder who is not a PRC resident, the receipt of dividends on the H Shares is subject to a withholding tax ranging from 5% to 20% (usually 10%) depending on the applicable tax treaty between the PRC and the jurisdiction in which the foreign national resides. For foreign residents of jurisdictions that have not entered a tax treaty with the PRC, the tax rate on dividends is 20%.

Generally, a tax rate of 10% shall apply to the dividends paid by the company on shares listed in Hong Kong that are sold by foreign individuals without application to applicable tax authorities according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (i) return the excessive tax amount if the applicable tax rate is lower than 10%; (ii) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%; and (iii) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

Enterprise investors

In accordance with the EIT Law and the EIT Rules, both effective on 1 January 2008, a non-resident enterprise is generally subject to a 10% withholding income tax on PRC-sourced income, if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC.

Notice of the State Administration of Taxation on Issues Related to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises Which hold H Shares (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知), issued by the SAT on 6 November 2008, further clarifies that a PRC-resident enterprise must withhold EIT at the rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H shares with respect to the dividends distributed out of profit generated after 1 January 2008. The non-resident enterprise shareholders entitled to a reduced tax rate under tax treaties or arrangements may apply to the competent tax authorities for refund of the excess amount withheld.

Pursuant to *Arrangements between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the 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, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders shall pay income tax according to PRC laws, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be not more than 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be not more than 10% of the distributed dividends.

Furthermore, pursuant to *the Circular of the SAT on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreement* (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 and with effect from 20 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

In addition, according to the *Administrative measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties for Trial Implement* (非居民享受稅收協定待遇管理辦法(試行)) which came into force on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favourable tax benefits under the tax arrangements, it shall submit an application for approval or filing to the competent tax authority. Without being approved or filed, the non-resident enterprise may not enjoy the favourable tax treatments provided in the tax treaties.

Taxation of Capital Gains

Individual investors

Under the *Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares* (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the Ministry of Finance and the SAT on 30 March 1998, from 1 January 1997 onwards, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. After the latest amendment to the IIT Law on 1 September 2011 and the latest amendment to its implementation rules on 1 September 2011, the SAT has not stated whether it will continue to exempt from IIT income derived by individuals from the transfer of listed shares. However, the Ministry of Finance, the SAT and the CSRC jointly issued the *Circular on Related Issues on Collection of Individual Income Tax over the*

Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) on 31 December 2009, which states that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for the shares of certain specified companies under certain situations which are subject to sales limitations. As of the Latest Practicable Date, no legislation has expressly provided that IIT shall be collected from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges, such as our H Shares, and in practice the taxation administrations do not collect IIT on such income.

Enterprise investors

In accordance with the EIT Law and the EIT Rules, a non-resident enterprise is generally subject to withholding tax at a rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. As of the Latest Practicable Date, no legislation has expressly provided that withholding tax shall be collected from non-resident enterprises on their income derived by them from sale of the shares in PRC companies listed on overseas stock exchange. However, the possibility cannot be entirely excluded that taxation authorities will seek to collect withholding tax on such income in the future.

Estate Tax

Currently, no estate tax is imposed by the PRC Government.

EIT

The EIT Law and the EIT Rules, provide that the EIT rate applicable to all enterprises, resident or non-resident, shall be 25% generally.

Business Tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. Companies in the construction industry shall be subject to business tax at a rate of 3%.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trading, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a rate of 15%. Gains from sales of the H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Share is effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred to or from each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5.00 is charged on each instrument of transfer (if required). Where a sale or purchase of the H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the stamp duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the authority of the PBOC, administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal regulations governing foreign currency exchange in the PRC are the *Regulations on the Administration of Foreign Exchange of the PRC* (中華人民共和國外匯管理條例) (the "Foreign Exchange Regulations"), promulgated by the State Council in 1996 and amended in 1997 and 2008. Under the Foreign Exchange Regulations, Renminbi is freely convertible for current account items, such as trade and service-related foreign exchange transactions and unilateral transfers, on a basis of true and lawful transactions; as for capital account items, such as direct investment, loans, and portfolio investment, the prior approval of, or registration with, SAFE is required.

Pursuant to the *Rules on Administration of Settlement, Sale and Payment of Foreign Exchange Provisions* (結匯、售匯及付匯管理規定), issued by the PBOC on 20 June 1996 and effective from 1 July 1996, enterprises in the PRC may purchase foreign currency, subject to a cap approved by SAFE, to settle current account transactions, without the approval from SAFE. Foreign exchange transactions under capital account are still subject to limitations and require approvals from or registrations with SAFE.

The PBOC announced that, beginning from 21 July 2005, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar only. The PBOC will publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each Business Day, which will be used as the middle price for Renminbi transactions on the following Business Day.

Starting from 4 January 2006, the PBOC has authorized China Foreign Exchange Trading Center to publish the middle price for the exchange of Renminbi to the U.S. dollar, euro, Japanese yen and Hong Kong dollar at 9:15 am on each Business Day, which will be used as the middle price of exchange rates for transactions in inter-bank spot foreign exchange market (including over the counter and automatic price-matching transactions) and bank counter transactions.

On 26 December 2014, the SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Overseas Listing* (國家外匯管理局關於境外上市外匯管理有關問題的通知). According to the notice, after a domestic company gets listed overseas, of any of its domestic shareholders intends to increase or decrease its shares in the company in accordance with the relevant provisions, such domestic shareholder shall, within 20 working days before such increase or decrease, handle overseas shareholding registration formalities with the local foreign exchange authority.

This Appendix sets out summaries of certain aspects of the PRC legal and judicial system, its arbitration system and its company and securities law and regulations. It also contains a summary of certain Hong Kong law and regulations, including summaries of certain material differences between the PRC and Hong Kong company law, certain requirements of the Listing Rules and the summary of additional provisions required by the Stock Exchange for inclusion in the articles of association of the PRC issuers (as defined in the Listing Rules).

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the *Constitution of the PRC* (中華人民共和國憲法) (the "PRC Constitution") and is made up of written laws, administrative regulations, local regulations, autonomy regulations, separate regulations, rules and regulations of the State Council departments, rules and regulations of local governments and international treaties of which the PRC Government is a signatory. Court judgments do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

Pursuant to the PRC Constitution and the *Legislation Law of the PRC* (中華人民共和國立法法), the NPC and the standing committee of the NPC (the "Standing Committee") are empowered to formulate and amend basic laws governing state organs, civil and criminal or other matters. The Standing Committee enacts and amends laws other than those that shall be formulated by the NPC, and during the period of adjournment of the NPC, the Standing Committee may partially supplement and amend the laws enacted by the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities and take the same effect after submitting to the standing committee of the people's congresses of provinces or autonomous regions for approval. The standing committee of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the rules and regulations of the People's Government of the province or autonomous region concerned are identified in the examination of local regulations of larger cities by the standing committee of the people's congresses of provinces or autonomous regions, a decision should be made to deal with the matter. "Larger cities" refers to cities where the people's governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

The ministries, commissions, the PBOC, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

Pursuant to the PRC Constitution, the power to interpret laws is vested in the Standing Committee. Pursuant to *the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws* (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on 10 June 1981, the Supreme People's Court is empowered to provide general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

The PRC Judicial System

Pursuant to the PRC Constitution and *the Law of Organization of the People's Courts of the PRC* (中華人民共和國人民法院組織法), the judicial system in the PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further organized into civil, criminal, and administrative divisions. The intermediate people's courts are organized into divisions similar to those of the basic people's courts, and are further organized into other special divisions, such as the intellectual property division.

The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The higher level people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all of the people's courts.

The people's courts adopt the "second instance as final" appellate system. A party may appeal against a judgment or order of the people's court of first instance to the people's court at the next higher level. Second judgments or orders given at the next higher level are final and legally binding. First judgments or orders of the Supreme People's Court are also final. Where the Supreme People's Court or a people's court at a higher level finds an error in a judgment or order which has been given in any people's court at a lower level, or the president of the people's court finds an error in a judgment or order, the case may then be retried in accordance with the judicial supervision procedures.

The *Civil Procedure Law of the PRC* (中華人民共和國民事訴訟法) (the "Civil Procedure Law") which was promulgated on 9 April 1991 and last amended on 31 August 2012 and took effect from 1 January 2013, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action, and provided that the provisions of the Civil Procedure Law regarding jurisdiction by level and exclusive jurisdiction shall not be violated.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. Where a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. Where any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two years. Where a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

Where a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who's not located within the territory of the PRC or whose property is not within the PRC, such party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or where the judgment or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

The PRC Company Law, Special Regulations and Mandatory Provisions

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on 29 December 1993 and became effective on 1 July 1994. It was last amended on 28 December 2013 and came into effect on 1 March 2014.

The Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Shares by Joint Stock Limited Companies (the "Special Provisions") were adopted at the 22nd Standing Committee Meeting of the State Council on 4 July 1994. The Special Provisions was formulated according to Article 85 and Article 155 of the PRC Company Law and applies to the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions were promulgated by the former Securities Commission of the State Council and the State Economic System Restructuring Commission on 27 August 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association.

General provisions

A "joint stock limited company" ("a company") is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with law and professional ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A company may be incorporated by promotion or public subscription. A company may be incorporated by two to 200 promoters, provided that at least half of the promoters must reside in the PRC. A company incorporated by promotion is one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, unless otherwise provided, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific persons.

The PRC Company Law provides that for companies incorporated by way of promotion, its registered capital shall be the total share capital subscribed by all of its promoters as recorded in the company registration authority. No shares shall be offered to any other person before the shares subscribed by the promoters are paid up. Where otherwise provided for in any other laws, administrative regulations and decisions of the State Council in respect of the actual paid-in registered capital and the minimum registered capital for joint stock limited companies, the provisions thereof shall prevail.

Pursuant to the Securities Law, the total capital of a company which proposes to apply for its shares to be listed on a stock exchange shall not be less than RMB30.0 million.

The promoters shall convene an establishment meeting within 30 days after the issued shares have been completely paid up, and shall give notice to all subscribers or make a public announcement of the date of the establishment meeting 15 days prior to the meeting. The establishment meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the establishment meeting include adopting the draft articles of association proposed by the promoters and electing the board of directors and the board of supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the establishment meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for industry and commerce and a business license has been issued.

The promoters of a company shall individually and jointly be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

According to *the Provisional Regulations Concerning the Issue and Trading of Shares* (股票發行與交易管理暫行條例) promulgated by the State Council on 22 April 1993 (which is only application to the issue and trading of shares in the PRC and relevant activities), if a company is incorporated by means of public subscription, the promoters of the company are required to assume joint liability for the accuracy of the contents of this document and to ensure that this document does not contain any misleading statement or omission of any material information.

Share capital

Where a joint stock limited company is established by way of promotion, the promoters shall fully subscribe in writing for the shares and pay the corresponding capital provided for in its articles of association. In the case of capital contributions made by means other than in cash, the promoters shall go through the relevant procedures for the transfer of property rights in accordance with the law.

There is no limit under the PRC Company Law as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, overseas listed shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan are defined as overseas-listed-foreign-invested shares, and those issued to investors within the PRC other than the aforementioned areas are defined as domestic shares. Qualified foreign institutional investors approved by CSRC may hold domestic listed shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. According to the Special Regulations, upon the approval of CSRC, a company may agree, in the underwriting agreement on issuing overseas-listed-foreign-invested shares, to retain not more than 15% of the aggregate amount of underwritten shares. The share offering price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Bearer shares are transferred by delivery of the H share certificates to the transferee.

No modification registration shall be made to the registrar of shareholders within twenty (20) days prior to the shareholders' meeting being held or within five (5) days prior to the benchmark date set for the purpose of distribution of dividends.

Increase in capital

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders at the general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the PRC Company Law, the Securities Law requires the following conditions for a company to offer new shares to the public: (i) a complete and well-operated organization; (ii) capability of making profits continuously and a healthy financial status; (iii) no false records or significant irregularities in its financial statements over the last three years; and (iv) fulfill any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council.

The public offer requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

Reduction of share capital

Subject to the minimum registered capital requirement, a company may reduce its registered capital in accordance with the following procedures stipulated by the PRC Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in newspapers within 30 days once the resolution approving the reduction in capital being passed;
- creditors of the company may require the company to clear its debts or provide guarantees covering the debts within the statutory time limit; and
- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

Repurchase of shares

A company may not purchase its own shares other than for one of the following purposes:

- to reduce its registered capital;
- to grant shares as a reward to the staff of the company;
- to purchase the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting; or
- other purposes permitted by laws and administrative regulations.

The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase shall be paid out of after-tax profits of the company, and the shares repurchased shall be transferred to the staff of the company within one year. The Mandatory Provisions stipulate that upon obtaining approvals from relevant supervisory authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its shareholders or purchase on a stock exchange or through outside-market contract.

Transfer of shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock changes established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement or in any other manner specified in applicable laws and regulations.

Shares held by the promoter(s) of a company shall not be transferred within one (1) year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one (1) year from the date of its shares being listed on a stock exchange. Directors, Supervisors and senior management personnel of the company shall not transfer over 25% of the total shares they hold in the company each year during their term of office, and shall not transfer any share of the company held by each of them within one (1) year from the Listing Date.

Shareholders

Pursuant to the PRC Company Law and the Mandatory Provisions, a shareholder's rights include:

- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association;
- the right to attend in person or appoint a representative to attend the shareholders' general meeting and to vote in respect of the amount of shares held;
- the right to inspect the company's articles of association, shareholders' registers, records of short-term debentures, minutes of shareholders' general meeting, board resolutions, supervisor resolutions and financial accounting reports, and to put forward proposals or raise questions on the business operations of the company;
- where a resolution approved by the shareholders' general meeting or by the board of directors violates any law or regulation, or infringes on the shareholders' lawful rights and interests, the right to institute an action in a people's court demanding that the illegal infringing action be stopped;
- the right to obtain surplus assets of the company upon its termination in proportion to shares he/she holds; to claim against other shareholders who abuse their rights of shareholders for the damages;
- the right to receive dividends based on the number of shares held; and
- any other shareholders' rights specified in the articles of association.

The obligations of shareholders include:

- to comply with the articles of association of the company;
- to pay the subscription monies in respect of shares subscribed for;
- be liable for debts and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up;
- no abuse of shareholders' rights to damage the interests of the company or other shareholders of the company; no abuse of the independent status of the company as a legal person and its limited liability companies as to damage the interests of the creditors of the company; and
- any other obligation specified in the articles of association of the company.

Shareholders' general meeting

The shareholders' general meeting is the organ of authority of a company, which exercises its functions and powers in accordance with the PRC Company Law. The shareholders' general meeting exercises the following functions and powers:

- to decide on operational policies and investment plans of the company;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or the supervisors;
- to review and approve annual financial budgets and financial accounts proposed by the company;
- to review and approve proposals for profit distribution and for recovery of losses of the company;
- to decide on increase and reduction of the registered capital of the company;
- to decide on bond issuances of the company;
- to decide on merger, division, dissolution and liquidation of the company and other issues;

- to amend the articles of association of the company; and
- other functions and powers specified in the articles of association of the company.

The annual shareholders' general meeting must be convened once a year. An extraordinary shareholders' general meeting shall be held within two months upon the occurrence of any of the following circumstances:

- the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the articles of association of the company;
- the losses of the company which are not made up reach one-third of the total paid-up share capital of the company;
- as requested by a shareholder holding, or shareholders holding in aggregate, 10% or more of the shares of the company;
- when deemed necessary by the board of directors;
- as suggested by the board of supervisors; or
- other matters required by the articles of association.

The shareholders' general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors. The notice to convene the shareholders' general meeting shall be despatched to all the shareholders 20 days prior to the general meeting pursuant to the PRC Company Law, and 45 days prior to the general meeting pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be reviewed at the general meeting. Under the Special Regulations and the Mandatory Provisions, shareholders intending to attend are required to send written confirmations of their attendance to the company 20 days before the general meeting.

According to the Special Regulations, at the annual shareholders' general meeting of the company, shareholders with 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be reviewed at the general meeting, which if within the functions and powers of the shareholders' general meeting, are required to be added to the agenda of the general meeting. Shareholders present at the shareholders' general meeting possess one vote for each share they hold. However, the company shall have no vote for any of its own shares the company holds. Resolutions proposed at the shareholders' general meeting shall be approved by more than half of the voting rights cast by shareholders present in person (including those represented by proxies) at the general meeting, except that such resolutions as merger, division or reduction of registered capital, the issue of bonds or short-term debentures, the change in the form of the company or the amendment to the articles of association, shall be approved by shareholders with more than two-thirds of the voting rights cast by shareholders present (including those represented by proxies) at the general meeting.

A shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorisation scope. There is no specific provisions in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting, although the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or where the 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class.

Holders of domestic invested shares and holders of overseas-listed-foreign-invested shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of five to nineteen members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon re-election.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting.

Under the PRC Company Law, the board of directors exercises the following functions and powers:

- to convene the shareholders' general meeting and report on its work to the shareholders;
- to implement the resolution of the shareholders' general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

- to prepare plans for the merger, division or dissolution of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Where a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation for another director to attend the meeting on his behalf.

Where a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, where it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the PRC Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offence, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former directors, factory managers or managers of a company or enterprise that has been bankrupt and has been liquidated due to mismanagement, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license; or

- persons who have a relatively large amount of debt due and outstanding; or other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

- to preside over shareholders' general meetings and convene and preside over meetings of the board of directors;

- to check on the implementation of the resolutions of the board of directors.

The legal representative of a company, in accordance with the company's articles of association, may be the chairman, any executive director or the manager. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI) contains further elaborations of such duties.

Supervisor

A joint stock limited company shall establish a board of supervisors comprised of no less than three members. The board of supervisors shall include shareholders' representatives and an appropriate proportion of employee representatives. The proportion of employee representatives shall be specified in the articles of association but in any event shall account for no less than one-third of the supervisors appointed. Employee representatives who serve as members of the board of supervisors shall be democratically elected through the employee representatives' assembly, the employees' assembly or in any other way.

No director or senior management of a company may concurrently act as one of its supervisors.

The Board of Supervisors exercises the following functions and powers:

- to check the financial affairs of the company;

- to supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;

- to require the director or senior manager to make corrections if his act is detrimental to the interests of the company;

- to propose the convening of extraordinary shareholders' general meetings, and to convene and preside over shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' meetings;

- to put forward proposals at shareholders' general meetings;

- to initiate actions against directors or senior management; and

- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

Managers and senior management

A company shall have a manager who shall be appointed or removed by the board of directors. The manager reports to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

- arrange for the implementation of the company's annual business and investment plans;

- formulate plans for the establishment of the company's internal management structure;

- formulate the basic administration system of the company;

- formulate the company's internal rules;

- recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);

- attend board meetings as a non-voting attendant; and

- other powers conferred by the board of directors or the company's articles of association.

Pursuant to the PRC Company Law, other senior management personnel of a company include the financial officers, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company.

Duties of directors, supervisors, managers and senior officers

Directors, supervisors, managers and other senior officers of a company are required under the PRC Company Law to abide by the relevant laws, regulations and the company's articles of association, to carry out their duties honestly and protect the interests of the company. Each director, supervisor, manager and senior officer of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

Any directors, supervisors, managers and other senior officers who contravenes any laws, regulations or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, manager and other senior officers of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

No director or senior management may:

- misappropriate company funds;
- divert company funds into an account held in his own name or in the name of any other individual;
- loan company funds or provide any guaranty to any other person by using company property in violation of the articles of association without first obtaining the consent of the board of shareholders, the general meeting of shareholders or the board of directors;
- become a party to any contract or business dealings with the company in violation of the articles of association without first obtaining the consent of the board of shareholders or the general meeting of shareholders;
- seek business opportunities for himself or for any other person by taking advantage of his position, or operate on his own behalf or on behalf of any other person any business similar in nature to that of the company, without first obtaining the consent of the board of shareholders or the general meeting of shareholders;

- personally accept any commission on any transaction to which the company is a party;
- unlawfully disclose confidential company information; or
- act in any way that is inconsistent with his duty of fidelity to the company. Any income received by any director or senior management in violation of the Articles of Association shall be treated as the property of the company.

Finance and accounting

A company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the regulations of the responsible financial department of the State Council. A company shall prepare a financial report which shall be audited and verified as provided by law at the end of each fiscal year.

A company shall make available its financial statements at the company for the inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders' meeting or the shareholders' general meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits. If the aggregate balance of the company's statutory surplus reserve is not enough to make up for the losses of the company of the previous year, the current year's profits shall first be used for making good the losses before the statutory surplus reserve is set aside according to the provisions of the preceding paragraph.

After the losses have been made up and statutory surplus reserves have been set aside, the remaining profits shall be distributed to shareholders in proportion to the number of shares held by shareholders as in the case of a joint stock limited company, except as otherwise provided in the articles of association.

The capital common reserve of a joint stock limited company is made up of the premium over the nominal value of the shares of the company on issue, and other amounts required by the financial department of the State Council to be treated the capital reserve.

A company's common reserves shall be used to cover losses made in past years, to enhance the company's productivity and expand its business or to increase its registered capital; however a company's capital reserve shall not be used to cover the company's losses. Where the statutory common reserve is converted into capital, the value of the remaining common reserve shall be no less than 25% of the company's registered capital prior to the conversion.

Appointment and retirement of auditors

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company.

Any proposed appointment or dismissal of an accounting firm as the company's auditor shall be subject to a resolution of the board of shareholders, the general meeting of shareholders or of the board of directors in accordance with the provisions of the articles of association.

Any shareholders' meeting, general meeting of shareholders or board of directors that votes to dismiss any accounting firm as its auditor shall allow the accounting firm to express its own opinions.

A company shall provide the accounting firm appointed as its auditor with accurate and complete accounting books and records, financial and accounting statements, and other accounting documents, and may not refuse to do so or conceal any such accounting records or make any false statement to its auditor.

Profit distribution

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas-listed-foreign-invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies' approval department of the State Council and CSRC. In relation to matters involving the company's registration, the company shall modify its registration with the companies' registration authority.

Dissolution and liquidation

Where any company encounters serious difficulties in its operations or management that will lead to significant losses to the benefits of the shareholder if the company continues its existence and the situation cannot be resolved by any other means, shareholders representing 10% or more of the voting rights of all shareholders may petition the people's court to dissolve the company.

Pursuant to the PRC Company Law, a company may be dissolved where:

(a) its term of business operation as prescribed in the articles of association expires or any cause of dissolution as prescribed in the articles of association of the company occurs;

(b) the board of shareholders or the general meeting resolves to dissolve the company;

(c) dissolution of the company is necessary due to any merger or demerger to which the company is a party;

(d) its business license is revoked or it is ordered to close down or be dissolved in accordance with the law; or

(e) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (a), (b), (d) and (e) above, a liquidation committee must be formed within 15 days from the date of dissolution. Members of the liquidation committee shall be appointed by the shareholders in the general meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment. A liquidation committee shall, within ten days of its formation, notify the company's creditors of its formation, and shall make a public announcement in a newspaper on the formation of a liquidation committee within 60 days of its formation. Any creditor shall, within 30 days of receipt of a notice or within 45 days of the public announcement in the event that the relevant creditor does not receive a notice, make a claim to the liquidation committee on the debt owed to it/him.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- notify creditors or issue public notices;
- deal with and settle any outstanding business of the company;
- pay any tax overdue;

- settle the company's financial claims and liabilities;
- handle the surplus assets of the company after its debts have been paid off; and
- represent the company in civil lawsuits.

Where the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the Shareholders of the company in proportion to the number of Shares held by them.

A company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of the liquidation committee is liable to indemnify the company and its creditors with respect to any loss arising from his willful or material default.

Overseas listing

The shares of a company shall only be listed overseas after obtaining approval from the CSRC and the listing must be arranged in accordance with the procedures specified by the State Council.

Loss of H share certificates

A shareholder may apply, in accordance with the relevant provision set out in the Civil Procedure Law, to a people's court in the event that H share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates.

Suspension and termination of listing

Pursuant to the Securities Law, in any of the following circumstances, the relevant stock exchange shall decide to suspend the listing of the relevant stock:

- the market capitalization or share ownership structure of the company changes, thus causing the company to breach the listing requirements;
- the company fails to make public its financial status as required, or includes any false record in its financial and accounting reports, which may mislead investors;
- the company commits any major illegal activity;
- the company has been operating at a loss for the last three consecutive years; or
- any other circumstances prescribed in the Listing Rules.

In any of the following circumstances, the relevant stock exchange shall decide to terminate the listing of the relevant stock:

- the market capitalization or share ownership structure of the company changes, thus causing the company to breach listing requirements, and the company subsequently fails to meet listing requirements within the period of time prescribed by the stock exchange;
- the company fails to make public its financial status as required, or includes any false record in its financial and accounting reports, and refuses to take any remedial steps;
- the company has been operating at a loss for the last three consecutive years and fails to make a profit in the following year;
- the company is dissolved or declared bankrupt; and
- any other circumstances prescribed in the Listing Rules.

Merger and demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. Where it merges by absorption, the company which is absorbed shall be dissolved. Where it merges by forming a new corporation, both companies will be dissolved.

Securities Law and Regulations and Regulatory Regimes

Since 1992, the PRC has promulgated a number of regulations in relation to the issue and trading of shares and disclosure of information. In October 1992, the Securities Commission and the CSRC were established under the State Council. The Securities Commission is responsible for coordinating the drafting of relevant laws and regulations on securities, formulating policies on securities affairs, planning the development of securities markets and guiding, coordinating and regulating all PRC institutions involved in securities affairs and supervising the CSRC. The CSRC is the regulatory and execution arm of the Securities Commission and is responsible for drafting regulations governing the securities market, supervising securities companies, regulating the domestic and overseas public issue of securities by PRC companies, supervising securities trading, compiling securities related statistics and conducted research and analysis.

On 25 December 1995, the State Council promulgated *the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies* (國務院關於股份有限公司境內上市外資股的規定). These regulations deal mainly with the issue, subscription, trading, declaration of dividends and other distributions of domestic listed foreign shares and the disclosure of information of joint stock limited liability companies having domestic listed foreign shares.

On 29 December 1998, the Standing Committee promulgated the Securities Law which came into effect on 1 July 1999. This is the first national securities law in the PRC and is the fundamental law comprehensively regulating activities in the PRC securities market. On 28 August 2004, 27 October 2005 and 29 June 2013, the Securities Law was respectively revised three times. The Securities Law is applicable to the issuance and trading of shares in the PRC, company bonds and other securities designated by the State Council according to law, and provisions of the issuance and transaction of securities, acquisitions of listed companies, stock exchanges, security companies and the duties and responsibilities of securities regulatory authority under the State Council.

Where the Securities Law does not apply, the provisions of the PRC Company Law and other applicable laws and administrative regulations will apply.

Arbitration and enforcement of arbitral awards

The Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) (the "Arbitration Law") was promulgated by the Standing Committee on 31 August 1994 and became effective on 1 September 1995, and was amended on 27 August 2009. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to settle disputes by arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Where parties have by agreement stipulated arbitration as the method for dispute settlement, the people's court shall refuse to handle the proceeding.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Listing Rules, in a contract between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between: (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of H shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission ("CIETAC") or the Kong International Arbitration Center ("HKIAC"). If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of HKIAC.

Pursuant to the Arbitration Law, an arbitral award shall be final and binding on the parties involved in the arbitration proceeding. Where any party fails to company with the award, the other party may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there's any procedural irregularity (including irregularity in the composition of the arbitration committee, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

A party seeking to enforce an arbitral award by a PRC arbitration panel against a party who, or whose property, is not within the territory of PRC, may apply to a foreign court with jurisdiction over the case for enforcement, Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts pursuant to the principles of the reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to *the Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (承認和執行外國仲裁裁決公約) (the "New York Convention") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the New York Convention, the Standing Committee declared that:

- the PRC will only recognize and enforce foreign arbitral awards based on the principle of reciprocity; and

- the PRC will only apply the New York Convention to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for reciprocal enforcement of arbitral awards between Hong Kong and the PRC was signed on 18 June 1999, approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. The arrangement reflects the spirit of the New York Convention, allowing awards made by PRC arbitral authorities to be enforced in Hong Kong and awards by Hong Kong arbitral authorities to be enforced in the PRC.

HONG KONG LAWS AND REGULATIONS

Summary of Material Differences Between Certain PRC Company Law Matters in the PRC and Hong Kong

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. The Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate existence

Under Hong Kong law, a company having share capital, is incorporated and will acquire an independent corporate existing after the company registrar of Hong Kong issuing a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a company may be incorporated by promotion or public subscription. Unless otherwise required by laws and regulations, there is no minimum registered capital for a company. Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share capital

Under Hong Kong law, the shares of a Hong Kong company have no nominal value and the directors may, with the prior approval of the shareholders if required, cause the company to issue new shares up to the maximum number (if any) set out in its articles of association. The PRC Company Law does not provide for authorized share capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities.

Under the Securities Law, a company which is authorized by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30.0 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on shareholding and transfer of shares

Under PRC laws, the domestic shares ("domestic shares") in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the State, PRC legal and natural persons. The overseas listed foreign shares ("foreign shares") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors, except as allowed under *Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities* (合格境內機構投資者境外證券投資管理試行辦法).

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel have left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law except for the lock-up on the Company's issue of shares and the Controlling Shareholders' disposal of shares as described in the section headed "Underwriting" in this Prospectus.

Financial assistance for acquisition of shares

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI to this Prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except: (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting; (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question; (iii) by agreement of all the members of a Hong Kong company; or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. The Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) the Company issues domestic shares and listed foreign invested shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as of the date of the Shareholders' special resolution; (ii) the plan for the issue of domestic shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by CSRC, the shareholders of Domestic Shares of the Company transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration made by directors of the interests in material contracts; restrictions on directors' authority in making major dispositions; restrictions on companies providing certain benefits, prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested or connected. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI to this Prospectus.

Board of Supervisors

Under the PRC Company Law, the board of directors and managers of a joint stock limited company is subject to the supervision and inspection of a board of supervisors but there is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against the directors and supervisors in default.

Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong Government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that where any company encounters any serious difficulty in its operations or management so as that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

Notice of shareholders' meetings

Under the PRC Company Law, notice of a shareholders' general meeting must be given not less than 20 days before the meeting, or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice periods of a general meeting convened for passing an ordinary resolution and a special resolution are 14 days and 21 days, respectively. The notice period for an annual general meeting is 21 days.

Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum.

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify its shareholders by public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

Financial disclosure

A company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statements of changes in financial position and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public subscription under the PRC Company Law must publish its financial position. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting. The financial statements of a Hong Kong company must be prepared in accordance with the standards issued or specified by the Hong Kong Institute of Certified Public Accountants. A company is required under the PRC laws to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on directors and shareholders

The PRC Company Law gives the shareholders of a company the right to inspect the Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving agent

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC laws is two years. The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

Corporate reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 668 to 674 of the Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at general meeting.

Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

Mandatory deductions

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declares any dividends after taxation. The company may not require to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

Remedies of a company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) have been in compliance with the Listing Rules.

Dividends

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the PRC Company Law, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

The Listing Rules

The Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company:

Compliance adviser

A company seeking listing on the Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company.

It must act as the company's principal channel of communication with the Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountants' report

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to HKFRS or IFRS or PRC GAAP.

Process agent

The company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("foreign shares") which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalization at the time of listing of not less than HK$50,000,000. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the company has an expected market capitalization at the time of listing of over HK$10,000,000,000.

Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Code on Takeovers and Mergers and any similar PRC laws of which the directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the Company.

Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the board of supervisors of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI to this Prospectus.

Redeemable shares

The Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

Pre-emptive rights

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Company's articles of association, prior to: (i) authorising, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (ii) any major subsidiary of the Company making any such authorisation, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its Shareholders in such subsidiary.

No such approval will be required, but only to the extent that, the existing Shareholders of the company have by special resolution in general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing Domestic Shares and foreign shares as of the date of the passing of the relevant special resolution or of such shares that are part of the company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC; or where upon approval by securities supervision or administration authorities of the State Council, the Shareholders of domestic invested shares of the Company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

Supervisors

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules)issued by the Stock Exchange.

The Company is required to obtain the approval of its Shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (i) the term of the contract may exceed three years; or (ii) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year.

The remuneration and assessment committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and our Shareholders as a whole and advise our Shareholders on how to vote.

Amendment to the Articles of Association

The Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the Mandatory Provisions of the Listing Rules and the Mandatory Provisions or the PRC Company Law.

Documents for inspection

The Company is required to make available at a place in Hong Kong for inspection by the public and its shareholders free of charge, and for copying by shareholders at reasonable charges the following:

- a complete duplicate register of shareholders;
- a report showing the state of the issued share capital of the Company;
- the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of the Company;
- reports showing the number and nominal value of securities repurchased by the Company since the end of the last certificates year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares); and
- a copy of the latest annual return led with the SAIC; and for shareholders only, copies of minutes of meetings of shareholders.

Receiving agents

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in H share certificates

The Company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its Shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such Shares bearing statements to the following effect that the acquirer of shares:

- agrees with the Company and each Shareholder of the Company, and the Company agrees with each Shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;

- agrees with the Company, each Shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and

- authorizes the Company to enter into a contract on his behalf with each Director, Supervisors, manager and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligation to shareholders as stipulated in the Articles of Association.

Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

Contract between the Company and its Directors, officers and Supervisors

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to the Company to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Takeovers Code and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

- an undertaking by the Director or officer to the Company acting as agent for each shareholder to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;

- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and our

Directors or officers and between a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;

- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;

- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;

- the award of the arbitral body is final and shall be binding on the parties thereto;

- the agreement to arbitrate is made by the Director or offer with the Company on its own behalf and on behalf of each shareholder; and

- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award.

The Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

Subsequent listing

The Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

English translation

All notices or other documents required under the Listing Rules to be sent by the Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC laws or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC laws or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the Company's listing.

Other Legal and Regulatory Provisions

Upon the Company's listing, the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the Company.

Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

PRC Legal Matter

Our PRC Legal Advisers, have sent to us a legal opinion dated 23 December 2015 confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This letter is available for inspection as referred to in "Appendix VIII – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection." Any person wishing to have detailed advice on PRC laws and the laws of any jurisdictions is recommended to seek independent legal advice.

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted by our Shareholders in the Shareholders' general meeting held on 23 December 2015. The principal objective of this Appendix is to provide an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important.

DIRECTORS AND OTHER SENIOR EXECUTIVE OFFICERS

Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the Board of Directors to allot or issue shares.

In order to allot or issue shares, the Board of Directors is responsible for formulating a proposal for approval by Shareholders in a general meeting by way of a special resolution. Any such allotment or issue shall be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

Power to Dispose of the Company's or Any of Its Subsidiaries' Assets

Before the Board of Directors is going to dispose of any of the Company's fixed assets, the Board of Directors shall not, without the approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of the expected value of the fixed assets contemplated to be disposed of and the realized value of fixed assets that have been disposed of within four months immediately preceding the proposed disposition exceeds 33% of the value of the Company's fixed assets as shown in the latest audited balance sheet placed before Shareholders in a general meeting.

"Disposal of fixed assets" referred to in the Articles of Association shall include the transfer of certain interests in assets, but excludes any provision of any security with any fixed assets.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

Compensation or Payments for Loss of Office

The Company shall, with the approval of Shareholders at a Shareholders' general meeting, enter into a contract in writing with each Director, Supervisor wherein his emoluments are stipulated. The aforesaid emoluments shall include:

(1) remuneration with respect to his service as a Director, Supervisor or members of senior management of the Company;

(2) remuneration with respect to his service as a Director, Supervisor or members of senior management of any subsidiary/subsidiaries of the Company;

(3) remuneration with respect to the provision of other services in connection with the management of the Company and any of its subsidiaries;

(4) any payment as compensation for, or in connection with loss of office or retirement from office of such Director or Supervisor.

Except under a contract entered into in accordance with the foregoing, no proceedings may be brought by a Director or Supervisor against the Company for any benefit due to him in respect of the above matters. Contracts entered into by the Company with a Director or Supervisor of the Company in connection with emoluments, shall provide that such Director or Supervisor, in the event of a takeover of the Company and subject to the approval of Shareholders in a general meeting, has the right to receive compensation or other payments for loss of office or retirement from office. A takeover of the Company means either of the following circumstances:

- an offer is made to all Shareholders of the Company;
- an offer is made such that the offeror will become the Controlling Shareholder of the Company (as defined in the Articles of Association).

In the event that the relevant Director or Supervisor does not comply with this Article, any sum so received by him shall belong to those persons who have sold their shares as a result of such offer. The expenses incurred in distributing such sum pro rata among such persons shall be borne by the relevant Director or Supervisor and shall not be deducted from such sum.

Loans to Directors, Supervisors and Other Officers

The Company shall not directly or indirectly provide a loan or a guarantee in connection with the provision of a loan to a Director, Supervisor, manager and other senior management of the Company or of the Company's holding company or any of their respective connected parties.

The following transactions are not subject to the above mentioned prohibition:

(1) the provision of a loan by the Company to, or a guarantee in connection with a loan to, its subsidiaries;

(2) the provision of a loan by the Company to, or a guarantee in connection with a loan or making any other funds available to any of its Directors, Supervisors, and other members of senior management to pay any expenses incurred by them for the purpose of the Company or for the purpose of his performance of his duties in accordance with a service contract approved by the Shareholders at the Shareholders' meeting;

(3) in the event that the ordinary course of the business of the Company includes the loaning of funds or the provision of guarantees, the Company may make a loan to, or provide a guarantee in connection with a loan to, the relevant Directors, Supervisors, manager and other members of senior management or their respective connected parties, provided that such loans or guarantees are on normal commercial terms.

Any person who receives any funds from a loan which has been made by the Company in violation of the preceding Article shall, irrespective of the terms of the loan, forthwith repay such funds.

A loan guarantee provided by the Company in breach of the prohibition referred to above shall be unenforceable against the Company unless:

(1) the loan was provided to a connected party of any of the Directors, Supervisors, manager and other members of senior management of the Company or of the Company's holding company and the provider of the loan of such funds has no knowledge of the relevant circumstances at the time of making the loan;

(2) the collateral provided by the Company has already been lawfully disposed of by the lender to a bona fide purchaser.

For the content above, guarantee includes undertaking responsibilities as a guarantor or providing properties to secure the performance of obligations by the obligor.

In addition to the rights and remedies provided by laws and administrative regulations when a Director, Supervisor, manager or other members of senior management of the Company breaches his duties to the Company, the Company shall be entitled:

(1) to require such Director, Supervisor, manager or other members of senior management to compensate for any loss sustained by the Company as a result of such breach of duty;

(2) to rescind any contract or transaction entered into between the Company and such Director, Supervisor, manager or other members of senior management or between the Company and a third party, where such party knows or should have known that such Director, Supervisor, manager or other members of senior management representing the Company was in breach of his duty to the Company;

(3) to require such Director, Supervisor, manager or other members of senior management to surrender the profits made as result of such breach of his duty;

(4) to recover any amount which otherwise should have been received by the Company but were received by such Director, Supervisor, manager or other members of senior management instead, including (but not limited to) any commission;

(5) to demand the payment of interest earned or which may have been earned by such Director, Supervisor, manager or other members of senior management on any sum which should have been received by the Company.

Financial Assistance for Purchasing the Shares of the Company or Any of Subsidiaries

Neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to a person who acquires or proposes to acquire Shares in the Company. The said person includes any person who has directly or indirectly incurred any liability as a result of the acquisition of Shares in the Company.

Neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

The following transactions are not prohibited:

(1) the provision of the financial assistance by the Company in good faith and in the interests of the Company, and the principal purpose of that assistance is not to acquire Shares of the Company or that financial assistance is an incidental part of the overall plan of the Company;

(2) a lawfully distribution of the Company's assets by way of dividend;

(3) the distribution of a dividend by way of an allotment of Shares;

(4) a reduction of the Company's registered capital, a repurchase of Shares or reorganization of the structure of the share capital in accordance with the Articles of Association;

(5) the Company provides a loan which is within its business scope and for the ordinary operation of its business, provided that the net assets are not thereby reduced, or to the extent that those assets are thereby reduced, the financial assistance is provided out of the distributable profits of the Company; and

(6) the provision of moneys by the Company for contribution to employees' share schemes, provided that the Company's net assets are not thereby reduced or to the extent that those assets are thereby reduced, the financial assistance is provided out of the distributable profits of the Company.

The above-mentioned "financial assistance" shall include but not limited to the means below:

(1) gifts;

(2) guarantees (including the guarantor to undertake the liability or offer assets to secure the obligor's performance of obligations), compensation (not including compensation arising out of the Company's own defaults), or release or waiver of any right;

(3) provisions of loans or any other agreements where the Company shall fulfill the obligations prior to other parties, or changes in the said loans or parties to agreements, or the assignment of the rights under such loans or agreements;

(4) in any other manner when the Company is unable to pay its debts or has no net assets or where its net assets may be thereby reduced to a material extent.

The meaning of "assumed liability" includes obligations assumed by obligor as a result of entering into a contract or making arrangements (whether such contract or arrangement enforceable or unenforceable, and whether assumed by him personally or together with any other party) or by any other means whereby his financial position is changed.

Disclosure of Interests in Contracts with the Company or Any of Its Subsidiaries

Where a Director, Supervisor, manager or other senior management officer has in any way, directly or indirectly, material interest in an existing contract, transaction or arrangement or planned contract, transaction or arrangement with the Company (other than their contracts of employment with the Company), he shall disclose the nature and extent of such interests to the Board of Directors at the earliest opportunity, whether or not the relevant matter is subject to the approval of the Board of Directors.

The Director is not counted in the quorum and shall refrain from voting on the planned contract, transaction or arrangement in which he has materially interest.

Unless the interested Director, Supervisor, manager or other senior management officer has disclosed his interest in accordance with the aforesaid paragraph of this clause of the Articles of Association and the contract, transaction or arrangement has been approved by the Board of Directors at a meeting in which the interested Director, Supervisor, manager or other senior management officer is not counted in the quorum and has refrained from voting, the Company has the right to rescind such contract, transaction or arrangement except as against a bona fide party thereto acting without notice of the breach of such duties by the Director, Supervisor, manager or other senior management officer.

Where his related parties have interest in a contract, transaction or arrangement, a Director, Supervisor or manager or other senior management officer is also deemed to be interested in a contract, transaction or arrangement in which his related parties have interest as an interested party.

If a Director, Supervisor, manager or other senior management officer of the Company gives the Board of Directors a written notice stating that, by reason of the facts stated in the notice, he has interest in contracts, transactions or arrangements which may subsequently be entered into by the Company, then within the content stated in the notice he shall be deemed to have made a disclosure in accordance with the relevant provisions in the Articles of Association, if such notice shall have been given before the Company considered to enter into such contract, transaction or arrangement in the first time.

Remuneration

The remuneration of Directors must be approved by Shareholders in a Shareholders' general meeting. See "– Directors and Other Senior Executive Officers – Compensation or Payments for Loss of Office" above.

Retirement, Appointment and Removal

The following persons may not serve as a Director, Supervisor, manager or other senior management officer of the Company:

(1) he does not possess civil capacity or possess limited civil capacity;

(2) he has been convicted for corruption, bribery, infringement of property or misappropriation of property or other offences which disrupted the social or economic order, in which less than a period of five years has lapsed since the sentence was served, or he has been deprived of his political rights and less than a period of five years has lapsed since the sentence was served;

(3) he is a former Director, factory manager or manager of a company or an enterprise which has been dissolved or liquidated due to poor operation and management and is personally liable for the dissolution or liquidation of such company or enterprise, where a period of less than three years has lapsed since the date of completion of the dissolution or liquidation of such Company or enterprise;

(4) he is a former legal representative of a company or an enterprise the business license of which was revoked as a result of violation of laws and is personally liable for such revocation, where a period of less than three years has lapsed since the date of revocation of the said business license;

(5) he has a relatively substantial amount of debts which have become overdue;

(6) he is currently under investigation by judicial authorities for violation of criminal law;

(7) he is not permitted to act in the capacity of leader of an enterprise according to laws and administrative regulations;

(8) he is not a natural person;

(9) he has been determined by competent authorities for violation of applicable securities regulations and such conviction involves a finding that he has acted fraudulently or dishonestly, where a period of less than five years has lapsed from the date of such determination.

The validity of the conduct of Directors, managers or senior management officers who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularities in the appointment, election or qualification of such Directors, managers or senior management officers.

The Board of Directors shall consist of nine Directors, of which three are independent non-executive Directors. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. Moreover, at least one of the independent non-executive Directors must be ordinarily resident in Hong Kong.

The Board of Directors also consists of one chairman and one vice chairman, who shall be elected or removed by more than one half of all of the Directors. Directors may be elected or removed by ordinary resolution at a Shareholders' general meeting.

The term of office of the chairman, vice chairman and other Directors shall be three years and is renewable upon re-election.

A Director (without prejudice to any claim for damages under any contract) within term of office may be removed by ordinary resolution at a Shareholders' general meeting in accordance with the laws and administrative directives. The written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be given to the Company at least seven days. The period for giving such written notice shall commence after the date the Company gives notice of the general meeting by post, and shall end not later than seven days before the date of convening the general meeting.

Borrowing Powers

Subject to compliance with the laws and administrative regulations of the PRC, the Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of the Company's properties and other rights permitted by the laws and administrative regulations of the PRC provided that such action does not damage or abrogate rights of any Shareholder. The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than: (a) provisions which give the Directors the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders of the Company in a general meeting by way of a special resolution.

Duties

In addition to obligations imposed by laws, administrative regulations or required by the stock exchange on which shares are listed, each of our Director, Supervisor, manager and other executive officer owes a duty to each Shareholder, in exercise of the functions and powers of the Company entrusted to him:

(1) to exercise their power within the business scope specified by its business license;

(2) to act honestly in what they consider to be in the best interest of the Company;

(3) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company; and

(4) not to deprive Shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a company reorganization submitted in accordance with the provisions of the Articles of Association and adopted at a Shareholders' general meetings.

Each of Directors, Supervisors, manager and other senior executive officers owes a duty, in the exercise of his powers and performance of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each Director, Supervisor, manager, and other senior management officer of the Company should abide by his fiduciary principles in the performance of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

(1) to act honestly in what he considers to be in the best interest of the Company;

(2) to exercise his power within the scope specified and not to act ultra vires;

(3) to exercise discretion in person without being subject to the directions of other individuals, and not to transfer such power of discretion to other individuals unless otherwise permitted by laws or administrative regulations or approved by the shareholders informed of the relevant facts at the Shareholders' meeting;

(4) to treat shareholders of the same class with equality, and to treat different classes with fairness;

(5) not to execute any contracts or transactions or make arrangements with the Company unless otherwise provided by the Articles of Association or approved by the shareholders informed of the relevant facts at the Shareholders' meeting;

(6) not to pursue his own benefit in any way using the Company's assets unless approved by the Shareholders informed of the relevant facts at the Shareholders' meeting;

(7) not to accept any bribery or other illegal income through his powers and position, and not to seize the Company's assets in any manner, including (but not limited to) beneficial opportunities to the Company;

(8) not to accept any commission with respect to the Company transactions without the approval granted by the Shareholders informed of the relevant facts at the Shareholders' meeting;

(9) to comply with the Articles of Association, to perform his duties honestly and faithfully, to protect the Company's interests, and not to pursue personal gains by taking advantage of his powers and position at the Company;

(10) not to compete with the Company in any manner unless approved by the Shareholders informed of the relevant facts made at the Shareholders' meeting;

(11) not to misappropriate the funds of the Company or make loans to others out of the funds of the Company, not to deposit the assets of the Company into accounts under his name or any other name, and not to use assets of the Company as security for debts to Shareholders of the Company or other individuals;

(12) not to divulge any confidential information concerning the Company that has been obtained during his term of office, unless approved by the Shareholders informed of the relevant facts at the Shareholders' meeting; and not to utilize such information unless for the purpose of benefiting the interests of the Company; notwithstanding the foregoing provisions, they are allowed to disclose such information to a court or other competent government authorities under the following circumstances:

(i) as prescribed by laws;

(ii) as required for the purpose of public interest;

(iii) as required for the interest of the Directors, Supervisors, manager or other members of senior management.

A Director, Supervisor, manager or senior management officer of the Company shall not direct persons or institutions (hereinafter referred as "associates") to do what he is not permitted to do. A person is regarded as an associate if he is:

(1) the spouse or minor child of such a Director, Supervisor, manager or senior management officer;

(2) a trustee for such a Director, Supervisor, manager or senior management officer or any person referred to in (1) above;

(3) a partner of such a Director, Supervisor, manager or senior management officer or of any person referred to in (1) and (2);

(4) a company in which that a Director, Supervisor, manager or other senior management officer, alone or jointly with one or more persons referred to in above (1), (2) and (3) or with any of other Directors, Supervisors, manager or other senior management officers of the Company, have de facto control; or

(5) a director, supervisor, manager or senior management officer of a company referred to in (4) above.

The fiduciary duties of a Director, Supervisor, manager and senior management officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time elapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Subject to the Articles of Association, a Director, Supervisor, manager, or other senior management officer may be relieved of liability for specific breaches of his duty by the informed consent of shareholders in a general meeting. In addition, a Director shall not require to hold shares in the Company.

ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the approval authorities of the State Council and the CSRC. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

VARIATIONS OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Shareholders holding different class of shares are class shareholders.

Class shareholders shall enjoy the rights and assume the obligations stipulated by laws, administrative regulations and the Articles of Association. The Company may not vary or abrogate rights attached to any class of shares unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association.

The following circumstances shall be deemed to be a variation or abrogation of the rights of a classified shareholder:

(1) an increase or decrease in the number of shares of such class, or an increase or decrease in the number of shares of another class having voting rights or distribution rights or other privileges equal to or superior to those of the shares of such class;

(2) the conversion of all or part of the shares of such class into the shares of another class or the conversion or creation of a right of conversion of all or part of the shares of another class into the shares of such class;

(3) the removal or reduction of rights to receive accrued dividends or rights to cumulative dividends attached to the shares of such class;

(4) the reduction or removal of the preferential rights attached to the shares of such class for the receipt of dividends or for the distribution of assets in the event that the Company is liquidated;

(5) the addition, removal or reduction of the rights of conversion, options rights, voting rights, transfer rights, pre-emptive rights, or rights to acquire securities of the Company attached to the shares of such class;

(6) the removal or reduction of the rights to receive payment receivable from the Company in the particular currencies attached to the shares of such class;

(7) the creation of a new class of shares having voting rights or distribution rights or other privileges equal to or superior to those of the shares of such class;

(8) the restriction of the transfer of ownership of the shares of such class or the imposition of more strict restrictions thereof;

(9) the issue of any rights to subscribe for, or to convert into, shares in the Company of the same class or another class;

(10) the enhancement of rights or privileges of the shares of other classes;

(11) the restructuring of the Company pursuant to which shareholders of different classes assume disproportionate liability;

(12) to vary or abrogate the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (2) to (8), (11) and (12) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a meeting of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of the class shareholders presenting the meeting in accordance with the Articles of Association.

Written notice of a class meeting shall be given by the Company 45 days prior to the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to the Company 20 days prior to the date of the meeting.

The Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than one half of the total number of such shares of the Company. If not, the Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class shareholders' meeting. Notice of class meetings need only be served on shareholders entitled to vote at the meetings.

Meetings of any class of shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders set out in the Articles of Association.

In addition to holders of other class shares, holders of Domestic Shares and overseas-listed foreign shares are deemed to be shareholders of different classes.

Special procedures for voting by holders of different classes of shares do not apply to the following situations:

(1) upon the approval by special resolution of its shareholders in general meeting, where the Company either separately or concurrently issues Domestic Shares and overseas-listed foreign shares every twelve months, and the number of Shares of each class to be issued shall not account for not more than 20% of each of its existing issued Domestic Shares or overseas-listed foreign-invested shares; or

(2) where the Company's plan made at the time of its establishment to issue Domestic Shares and overseas-listed-foreign-invested shares is completed within 15 months from the date on which approval is given by the CSRC or other securities regulatory authorities of the State Council.

For the purposes of the class rights provisions of the Articles of Association, an "Interested Shareholder" is:

(1) in the case of a repurchase of shares by offers to all Shareholders or public dealing on a stock exchange, a Controlling Shareholder within the meaning of the Articles of Association;

(2) in the case of a repurchase of shares by an off-market contract, a holder of the shares to which the proposed contract relates;

(3) in the case of a restructure of the Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

SPECIAL RESOLUTIONS – MAJORITY REQUIRED

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than the one half votes represented by shareholder (including proxies) present at the meeting must be exercised in favor of the resolution. To adopt a special resolution more than the two thirds votes represented by the Shareholders (including proxies) present at the Shareholders' general meeting must be exercised in favor of the resolution.

VOTING RIGHTS (GENERAL RIGHT ON A POLL AND RIGHT TO DEMAND A POLL

The ordinary Shareholders of the Company have the right to attend or appoint a proxy to attend shareholders' general meeting and to vote at the meeting. Shareholders (including proxy) when voting at a Shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

On a poll taken at a meeting, a Shareholder (including a proxy) entitled to two or more votes needs not cast all his/her votes in the same way.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional vote.

REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year within six months after the end of preceding financial year.

ACCOUNTS AND AUDIT

Financial and Accounting System

The Company shall establish its financial and accounting systems and internal audit system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory authority of the State Council. The Board of Directors of the Company shall place before the Shareholders at every annual general meeting such financial reports as are required by the laws, administrative regulations or directives promulgated by competent local governments and supervisory authorities to be prepared by the Company.

The Company's financial reports shall, at least 21 days before the date of convening the annual general meeting and within four months of the end of the financial year, be delivered by prepaid mail to the registered address of every holder of overseas-listed shares.

The financial statements of the Company shall, in addition to complying with PRC accounting standards, rules and regulations, be prepared in accordance with either international accounting standards or that of the overseas area in which the Company's Shares are listed. Where there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. When the Company is to distribute its after-tax profits of the relevant financial year, the lower of the after-tax profits as shown in the two financial statements prepared in accordance with: (i) PRC accounting standards, rules and regulations; or (ii) international accounting standards or that of the overseas area in which the Company's Shares are listed shall be adopted.

Any interim results or financial information published or disclosed by the Company shall also be prepared and presented in accordance with PRC accounting standards and regulations as well as either IFRS or that of the overseas place in which the Company's shares are listed.

The Company shall publish its interim results announcement within 60 days after the expiration of the first six months of each financial year and the annual results announcement within 120 days after the expiration of each financial year.

The Company shall not keep any other books of accounts other than those provided by law. The assets of the Company must not be registered in any person's personal accounts.

Appointment and Removal of Accountants

The Company shall appoint an independent firm of accountants which is qualified under the relevant regulations of the PRC to audit the Company's annual reports and review the Company's other financial reports. The first accountants firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accountants firm so appointed shall hold office until the conclusion of the first annual general meeting. Where the inaugural meeting fails to perform this duty, it shall be performed by the Board of Directors instead.

The accountants firm appointed by the Company shall hold office from the conclusion of the annual general meeting of Shareholders until the conclusion of the next annual general meeting of Shareholders. The Shareholders in general meeting may by ordinary resolution remove an accountants firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accountants firm or the manner in which such remuneration is determined shall be decided by the Shareholders in general meeting. The remuneration of an accountants firm appointed by the Board of Directors shall be determined by the Board of Directors.

The Company's appointment of, removal of and non-reappointment of an accountants firm shall be resolved upon by the shareholders in general meeting and such resolution shall be reported to the CSRC for record.

Where a resolution at a general meeting of Shareholders is passed to appoint an accountants firm to fill a vacancy in the office of an accountants firm, or to reappoint an accountants firm appointed by the Board of Directors to fill in any vacancy, or to remove an accountants firm before the expiration of its term of office, the following provisions shall apply:

(1) a copy of the proposal shall be sent to the accountants firm proposed to be appointed or proposing to leave its post or the accountants firm who has left its post, before notice of the general meeting is given to the Shareholders. Leaving includes leaving by removal, resignation and retirement.

(2) If the accountants firm is leaving its post makes representation in writing and the Company notify the same to the Shareholders, unless the representation is received too late, the Company shall:

(i) in the notice of the general meeting given to Shareholders, state the fact of the representation having been made by the leaving accountants firm; and

(ii) send a copy of the representation as an attachment to the notice to every Shareholder entitled to receive the notice of general meeting by means stipulated in the Articles of Association.

If the accountants firm's representation is not sent in accordance with (2)(ii) above, the accountants firm may require that the representation be read out in the meeting and make further appeal.

(3) The accountants firm that has left office may attend the following meetings:

(i) the Shareholders' general meeting at which its term of office would otherwise have expired;

(ii) any Shareholders' general meeting for filling the vacancy caused by its removal; or

(iii) any Shareholders' general meeting convened on its resignation.

The accountants firm that has left office is entitled to receive all notice of the said meetings or other information with respect thereto, and speak at the said meetings with respect to matters concerning its being the former accountants firm of the Company.

Prior to the removal or the non-renewal of the appointment of the accountants firm, notice of such removal or non-renewal shall be given to the accountants firm and such firm shall have the right to attend and to make representation to the Shareholders' general meeting. Where the accountants firm resigns its post, it shall make clear to the Shareholders' general meeting whether there is any impropriety on the part of the Company.

(1) The accountants firm may resign its office by delivering to the Company's legal address a resignation notice which shall become effective on the date of such delivery or on the date stipulated in such notice, whichever is later. Such notice shall include the following: (i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the Company; or (ii) a statement of any such circumstances.

(2) Where a notice is deposited under the item (ii) of the preceding paragraph, the Company shall within 14 days send a copy of the notice to the relevant governing authority.

If the notice contains a statement under the preceding paragraph, a copy of such statement shall be placed at the Company for Shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas-listed foreign shares at the address registered in the register of Shareholders.

(3) Where the accountants firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the Shareholders or creditors of the Company, it may require the Board of Directors to convene a Shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

The Shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law. Without the prior approval of Shareholders in general meeting, the Company shall not enter into any contract with any person other than a Director, Supervisor, manager or other senior management officer whereby such person is entrusted with the management of the whole or a material part of any business of the Company.

The Shareholders' meeting shall include annual general meetings and extraordinary general meetings. Annual general meetings shall be called by the Board of Directors and held once every year, and within six months of the end of the preceding financial year. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any of the following events:

(1) when the number of Directors is less than that required by the PRC Company Law or is less than two thirds of the numbers required by the Articles of Association;

(2) when the Company fails to recover the loss amounting to over one third of the share capital;

(3) when Shareholder(s) individually or collectively holding 10% or more of the Company's issued and outstanding shares carrying voting rights request(s) in writing the convening of an extraordinary general meeting;

(4) when deemed necessary by the Board of Directors or the Board of Supervisors motions to call an extraordinary general meeting.

To convene a general meeting, the Company shall give written notices 45 days before the date of the meeting, informing all registered Shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance be received by the Company 20 days before the date of the meeting.

When the Company is to convene an annual general meeting, Shareholders individually or collectively holding 5% or more of the total voting shares of the Company are entitled to propose new resolutions in writing to the Company. The Company shall place such resolutions on the agenda for such meeting if they are matters falling within the scope of duties of the Shareholders' meeting.

The Company shall, based on the written replies received from Shareholders 20 days prior to the date of the general meeting of Shareholders, calculate the number of voting shares represented by the Shareholders who intend to attend the meeting. In the event that the number of voting shares represented by the Shareholders who intend to attend the meeting represents one half or more of the Company's total voting shares, the Company may hold the meeting. If otherwise, then the Company shall, within five days, notify the Shareholders again by public notice of the matters to be considered, and the place and the date for the meeting. The Company may hold the meeting following the publication of such notice.

No matters unspecified in the notice of extraordinary general meeting shall be decided on at such meeting.

The notice of the Shareholders' meeting shall:

(1) be in writing;

(2) specify time, date and place of the meeting;

(3) describe matters for consideration at the meeting;

(4) provide such necessary information and explanations for shareholders to make an informed judgment on the matters to be considered. Without limitation to the generality of the foregoing, where a proposal is made with respect to the merger of the Company with another company, the repurchase of shares, the restructuring of share capital, or the restructuring of the Company in any other manner, the terms of the proposed transaction must be provided in detail along with copies of the proposed agreement, if any, and the reason(s) and effect of such proposal must be properly explained;

(5) contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, manager, or other members of senior management in the proposed transaction and the effect of the transaction in their capacity as shareholders to the extent that it is different from the effect on the interests of shareholders of the same class;

(6) contain the full text of any special resolution proposed to be passed at the meeting;

(7) state clearly that a Shareholder is entitled to attend and vote at the meeting, and to appoint one or more proxies to attend and vote on his behalf, and that a proxy may not necessarily be a Shareholder;

(8) specify the time and place for delivering proxy forms for the relevant meeting;

(9) stating the names and contact telephone numbers of the standing contact persons in connection with the meeting.

That a copy of the directors report, accompanied by the balance sheet (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account, or the summary financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by post to the registered address of every shareholder.

Notice of Shareholders' general meeting shall be served on our Shareholders (whether or not entitled to vote at the meeting), by delivery or prepaid mail to their addresses as shown in the register of Shareholders. For the holders of Domestic Shares, notices of the general meeting may also be issued by way of public announcements.

The public announcement as referred to in the preceding paragraph shall be published in one or more national newspapers designated by the CSRC within 45 days to 50 days prior to the date of the meeting. Upon publication of such announcements, the holders of Domestic Shares shall be deemed to have received the notice for the Shareholders' general meeting.

When requesting the convening of an extraordinary general meeting or a class meeting, it shall be handled according to the following procedures:

(1) Shareholder(s), individually or collectively holding 10% or more of the shares carrying the right to vote at the meeting shall sign one or more written requests of the same form stating the subject of the meeting and requesting that the Board of Directors convene an extraordinary general meeting or a class meeting thereof. The Board of Directors shall convene an extraordinary or a class general meeting responsively after receipt of such request. The aforesaid amount of shareholding is calculated as on the day when the Shareholders make the request in writing.

(2) If the Board of Directors fails to send notification of the meeting within 30 days from the date of the receipt of such request, requesting Shareholders may call the meeting within four months of the date of the receipt of such request by the Board of Directors, and the procedures for calling the meeting shall remain as same as possible when the Board of Directors would call the meeting.

The following matters shall be resolved by ordinary resolutions at the Shareholders' meeting:

(1) reports of the Board of Directors and the Board of Supervisors;

(2) any plans for the distribution of profits and for recovering losses formulated by the Board of Directors;

(3) removal of the members of the Board of Directors and Board of Supervisors on behalf of shareholders, and decision on their remuneration and methods of payment;

(4) preliminary and final annual budgets, balance sheets, profit accounts, and other financial statements of the Company;

(5) other matters other than those required by laws, administrative regulations, or by the Articles of Association to be approved by a special resolution.

The following matters shall be resolved by special resolutions at the Shareholders' meeting:

(1) the increase or reduction in share capital and the issue of shares of any class, warrants and other similar securities;

(2) the issue of debentures of the Company;

(3) the division, merger, dissolution, liquidation or change in the form of the Company;

(4) the amendments to the Articles of Association;

(5) other matters that ordinary resolutions have been made at the Shareholders' meeting indicating that resolutions regarding such matters will substantially impact the Company and such matters need to be passed by special resolutions.

If any shareholder shall waive his/her voting right on a particular matter, or is restricted to vote only for or against the matter, in accordance with the Listing Rules, such shareholder should waive his/her voting right or abstain from voting in accordance with the provisions therein; any vote casted by or on behalf of any shareholder in violation of such provisions or restriction shall not be counted into the poll result.

TRANSFER OF SHARES

Unless the laws and regulations specify otherwise, the Company's shares can be transferred freely without any encumbrance.

All the fully paid-up H Shares can be freely transferred in accordance with the Articles of Association. Unless the requirements stipulated in the Articles of Association are met, the Board of Directors may refuse to accept any transfer documents without giving any explanation for such refusal.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

In the following circumstances, the Company may, pursuant to the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its outstanding shares:

(1) cancellation of shares for the purpose of reducing its capital;

(2) merging with other companies that hold shares in the Company;

(3) awarding shares to the employees of the Company;

(4) Shareholders objecting to resolutions of the general meeting of Shareholders concerning merger or division of the Company, requiring the Company to buy their shares.

Repurchase of the Company's Shares for reasons set out in Clauses (1) to (3) of the above Article shall be subject to resolution at a Shareholders' general meeting. After the Company has repurchased its shares in accordance with Clause (1) of the above Article, such shares shall be cancelled within ten days after repurchase, or shall be transferred or cancelled within six months in the circumstances set out in Clauses (2) and (4). Shares repurchased by the Company in accordance with Clause (3) of the above Article shall not exceed 5% of the total shares issued by the Company; the repurchase cost shall be covered by the after-tax profit of the Company; and the shares repurchased shall be transferred to employees within one year.

The Company may, upon the approval of the relevant state governing authorities, repurchase its shares in one of the following ways:

(1) by making a general offer to all of its shareholders for the repurchase of shares on a pro rata basis;

(2) by open dealing on a stock exchange;

(3) by an off-market agreement outside of the stock exchange.

If the Company repurchases its Shares by concluding an off-market agreement outside of the stock exchange, it shall obtain prior approval at the Shareholders' meeting pursuant to the Articles of Association. Upon approval in the same manner at the Shareholders' meeting, the Company may discharge or amend the said agreement or waive any of its rights thereunder. The off-market agreement for the repurchase of Shares referred to in the preceding paragraph shall include (but not limited to) a document to become obliged to repurchase and acquire the right to repurchase shares of the Company.

Unless the Company is undergoing liquidation, it shall repurchase its outstanding Shares pursuant to the rules below:

(1) where the Company repurchases Shares at par value, payment shall be made from the surplus of its distributable profits or from the proceeds of a new issue for that purpose;

(2) where the Company repurchases Shares of the Company at a premium to its par value, payment up to the par value shall be made from the surplus of its distributable profits or from the proceeds of a new issue for that purpose. Payment of the portion in excess of par value shall be effected as follows:

(i) if the Shares being repurchased are issued at par value, payment shall be made from the surplus of its distributable profits;

(ii) if the Shares being repurchased were issued at a premium to its par value, payment shall be made from the surplus of its distributable profits or from the proceeds of a new issue for that purpose, provided that the amount paid from the proceeds of such new issue shall not exceed the aggregate amount of the premiums received by the Company on issuance of the Shares so repurchased or the balance of the Company's capital reserve account (including the premiums on the new issue) at the time of such repurchase.

(3) The Company shall make payments with its distributable profits for the following expenses:

(i) for acquisitions of rights to repurchase its own Shares;

(ii) for the variation of any contract for the repurchase of its Shares;

(iii) for release from its obligations under any repurchase contract;

(4) After the total par value of the Shares that are cancelled is deducted from the Company's registered capital, the amount equal to the par value of its Shares deducted from its distributable profits shall go to the Company's capital reserve account.

POWER OF ANY SUBSIDIARIES OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY

The Articles of Association contains no restrictions preventing any subsidiaries of the Company from holding the Shares.

DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash or shares (or both). Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.

Dividends in respect of ordinary shares shall be denominated and paid in RMB. Dividends in respect of domestic shares shall be paid in RMB. Dividends in respect of overseas listed foreign shares and other distributions shall be paid in the currency of the place of listing, and where there is more than one of such places, in the currency of the place of primary listing as determined by the Board of Directors. Dividends in respect of non-listed foreign shares shall be paid in Hong Kong dollars. The Company shall appoint a receiving agent for the shareholders of the overseas-listed foreign shares. Such receiving agent shall receive dividends of the overseas-listed foreign shares on behalf of such relevant shareholders, as well as all other amounts payable to such shareholders. The receiving agent appointed by the Company shall meet relevant requirements of the laws of the places or the relevant regulations of the stock exchange in which the Company's shares are listed. The receiving agent appointed for shareholders of H shares listed in The Stock Exchange of Hong Kong Limited shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

PROXIES

Any Shareholder entitled to attend and vote at the Shareholders' meeting shall be entitled to appoint to entrust one or several persons (whether a shareholder or otherwise) as his proxy/proxies to attend and vote on his behalf. A proxy so appointed shall have:

(1) the right to speak at the meeting;

(2) the right to demand or join in demand for a poll;

(3) the right to vote a show of hands or by poll, but the proxies of a shareholder who has appointed more than one proxy may only vote by poll.

The proxy form shall be in writing, either to be executed by the appointer or by power of attorney. Should the appointer be a legal entity, then such proxy form shall be executed with the company seal or by its Directors or the legal representative. And if more than one proxy is appointed, such instrument shall specify the number of shares represented by each proxy.

The instrument appointing a proxy must be deposited at the registered address of the Company or other location designated in the notice convening the meeting no later than 24 hours before the designated time at which the resolution is adopted. If such instrument is signed by a person under a power of attorney or other authorized letter on behalf of the appointer, a certified copy of that power of attorney or other authorized letter shall be notarized. The notarized power of attorney or other authorized letter shall be deposited at the registered address of the Company or other location designated in the notice convening the meeting together with the instrument appointing the proxy. If the appointer is a legal entity, its legal representative or such person as is authorized by resolution of its board of directors or other governing body to act as its representative may attend the general meeting of the Company as a representative of the appointer.

Any form issued to a Shareholder by the Board of Directors for the appointment of a proxy by the shareholder for attendance and voting at a meeting shall enable the Shareholder to instruct the proxy to vote for or against each resolution at the meeting. Such forms shall contain a statement which states that, in the absence of instructions by the Shareholder, the proxy may vote in the proxy's own discretion. A vote provided in according to the instruments in such proxy forms shall be valid, notwithstanding the previous death or loss of capacity of the appointer or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares with respect to which the proxy is given, provided that no notice in writing of such matters shall have been received by the Company prior to the commencement of the meeting at which the proxy is used.

INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company shall keep a register of Shareholders. The Company may, in accordance with the understanding or agreements between the CSRC and the overseas securities regulatory organizations, maintain the register of Shareholders of overseas listed Shares and appoint overseas agent(s) to manage such share register. The original register of overseas-listed foreign shares listed in Hong Kong shall be maintained at Hong Kong. Duplicates of the share register for holders of overseas-listed foreign Shares shall be maintained at the Company's domicile. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register.

If there is any inconsistency between the original and the duplicate of share register for holders of foreign Shares, the original shall prevail.

Within 30 days from the date of Shareholders' meeting or five days from the referenced date for the Company's distribution of dividends, no change shall be made in the register of Shareholders as a result of transfer of Shares.

When the Company decides to convene a Shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board of Directors shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as Shareholder of the Company at the end of the record date shall be a Shareholder of the Company.

Any person who objects to the register of shareholders and claims to be entitled to have his name (title) entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for an amendment of the register.

QUORUM FOR GENERAL MEETINGS

The Company can convene a Shareholders' meeting if the number of Shares carrying voting rights represented by shareholders intending to attend comprise more than half of the total number of Shares carrying voting rights. The Company can convene a class shareholders' meeting, if the number of Shares of the class carrying voting rights represented by Shareholders intending to attend such meeting comprise more than half of the total number of such Shares of the class.

RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

Besides the obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange on which the Company's shares are listed, a Controlling Shareholder (as defined below) shall not exercise his voting rights with respect to the following matters in a manner that is prejudicial to the interests of all or some Shareholders:

(1) to relieve a Director or Supervisor from liability to act honestly in the best interests of the Company;

(2) to allow the expropriation by a Director or Supervisor (for his own benefit or for the benefit of other person(s)), in any manner, of the Company's assets, including (but not limited to) any opportunities deemed beneficial to the Company;

(3) to allow the expropriation by a Director or Supervisor (for his own benefit or for the benefit of other person(s)) of the individual rights of other Shareholders, including (but not limited to) the rights to distributions and vote (except pursuant to a restructuring proposed to Shareholders for approval at a Shareholders' meeting in accordance with the Articles of Association).

PROCEDURE ON LIQUIDATION

The Company shall be dissolved and liquidated in accordance with law upon occurrence of any of the following events:

(1) A resolution for dissolution is passed by the Shareholders' meeting;

(2) A merger or division of the Company for which a dissolution becomes necessary;

(3) The Company is announced bankrupt according to the laws due to overdue debts;

(4) The Company is ordered to be close down for violation of laws and administrative regulations in accordance with the laws;

(5) the operation term of the Company has expired.

In the event of dissolution pursuant to Clauses (1) and (5) of the preceding article, the Company shall set up a liquidation committee within 15 days, and the members of the liquidation committee shall be decided by an ordinary resolution at the Shareholders' meeting. If the liquidation committee is not duly set up, the creditors may request the people's court to designate related persons to form a liquidation committee to carry out liquidation.

If the Company is dissolved pursuant to Clause (3) of the preceding article, a liquidation committee comprising Shareholders, the relevant departments and relevant professionals shall be arranged by the people's court in accordance with relevant laws to carry out the liquidation.

If the Company is dissolved pursuant to Clause (4) of the preceding article, a liquidation committee comprising Shareholders, the relevant departments and relevant professionals shall be arranged by the relevant supervisory authority to carry out the liquidation.

Where the Board of Directors has decided to liquidate the Company for any reason other than the Company's declaration of its own insolvency, the Board of Directors shall state in the notice convening the Shareholders' meeting that it has made full inquiry into the affairs of the Company and is of the opinion that the Company shall be able to settle its debts in full within 12 months from the commencement of the liquidation.

The Board of Directors shall stop exercising its powers and functions upon passing of the resolution for a liquidation of the Company by the Shareholders at the Shareholders' meeting. The liquidation committee shall act in accordance with the instructions from the Shareholders' meeting to report at least once every year to the meeting on the committee's income and expenses, the business and the progress of the liquidation of the Company; and to present a final report to the Shareholders' meeting upon completion of the liquidation. The liquidation committee shall, within ten days of its establishment, notify the creditors, and, within 60 days of its establishment, publish at least three times announcements on newspapers. Creditors shall, within 30 days of receipt of the notice, or for creditors who have not personally received such notice, shall within 45 days of the date of the announcement, contact the liquidation committee to claim their rights.

During liquidation, the liquidation committee shall exercise the following functions and powers:

(1) to categorize the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(2) to notify or to publish an announcement to the creditors;

(3) to dispose of any continuing businesses of the Company in connection with the liquidation;

(4) to pay outstanding taxes;

(5) to settle claims and debts;

(6) to dispose of the surplus assets remaining after the Company's debt having been fully paid;

(7) to represent the Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of the Company, and prepare a balance sheet and an inventory of assets. Upon completion, the liquidation committee shall draw up a proposal for liquidation and submit the same to the Shareholders' meeting or the relevant authorities for confirmation. Where the Company is liquidated by reason of dissolution, if the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the people's court for a declaration of insolvency. After the people's court has declared the Company insolvent, the Company's liquidation committee shall turn over any matters regarding the liquidation to the people's court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books and records during the period of liquidation, which shall be audited by the PRC certified public accountants and submitted to the Shareholders' general meeting or the relevant competent authorities for confirmation. The liquidation committee shall also within 30 days after such confirmation, submit the documents referred to in the preceding paragraph to the Company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

General Provisions

The Company is a joint stock limited company of perpetual existence.

The Company may invest in other enterprises; however, unless stipulated otherwise by law, it may not become an investor that bears joint and several liability for the debts of the enterprise in which it invests.

From its effective date, the Articles of Association of the Company shall be a legally binding document that regulates the rights and liabilities between the Company and the Shareholders and among the Shareholders.

Subject to the provisions of the Articles of Association, the Shareholders may sue the Company and other Shareholders, Shareholders may also sue Directors, Supervisors, manager and other senior management officers of the Company. The Company may sue Shareholders. For the purpose of the above paragraph, the term "sue" shall include the initiation of proceedings in a court or the application of arbitration to an arbitration organization.

Shares and Transfers

The Company may increase its capital through the following:

(1) issue of Shares to the public;

(2) private placement of Shares;

(3) issue of bonus Shares or placement of new Shares to existing Shareholders;

(4) increase share capital by conversion of reserves;

(5) other ways permitted in accordance with laws and administrative regulations and approved by the CSRC.

The Company's increase of capital by way of issuing new Shares shall be in accordance with the laws and administrative regulations of China and with the approval according to the procedures as required by the Articles of Association.

The Company may reduce its registered capital in accordance with the PRC Company Law, other applicable regulations and the provisions of the Articles of Association. When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets. The Company's registered capital after reduction shall not be less than the statutory minimum amount.

The transfer and assignment of any of the Shares shall be registered in the share registry which is designated by the Company. Subject to the approval of the securities authority of the State Council, holders of the Domestic Shares may transfer their Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing and trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange. No special Shareholders' meeting is needed to resolve the listing and trading of the transferred Shares at a foreign stock exchange.

Shareholders

A Shareholder of the Company is a person who lawfully holds the Shares and has his name recorded on the register of Shareholders.

A Shareholder enjoys rights, and is subject to obligations, according to the class and number of the Shares he holds. Holders of the same class of the Shares enjoy the same rights and subject to the same obligations.

The Company's Shareholders of ordinary shares shall enjoy the following rights:

(1) the right to receive dividends and other distributions proportional to the number of Shares held;

(2) the right to attend Shareholders' meeting either in person or by proxy and exercise the voting right;

(3) the right to supervise, advise or inquire the operating activities of the Company;

(4) the right to transfer, bestow, or pledge the Shares held according to laws and regulations and the Articles of Association;

(5) the right to be provided with relevant information in accordance with provisions of the Articles of Association;

(6) the right to receive distribution of the remaining assets proportional to the number of Shares held when the Company dissolves or liquidates;

(7) other rights conferred by the laws and regulations and the Articles of Association of the Company.

The Company shall not freeze or otherwise impair any of the rights attaching to any Share by reason only that the person or persons who are interested directly or indirectly therein have not disclosed their interests to the Company. Share certificates of the Company shall be in registered form. A Shareholder is not liable to make any further contribution to the share capital other than the terms agreed.

Share certificates of the Company shall be signed by the chairman of the Board of Directors. In the event that the stock exchange(s) on which the Company's Shares are listed require the signatures of other members of senior management of the Company on the share certificates, the share certificates shall also be signed by such members of senior management. The share certificates shall be effective upon being affixed or printed with the seal of the Company or other securities seals specified. The share certificates shall only be sealed with the Company's seal under the authorization of the Board. The signatures of the chairman of the Board or other members of senior management may be printed.

Any person who is registered Shareholder or who requests to have his name entered into the register of shareholders may, if his share certificate (the "Original Certificate") in respect of Shares in the Company is lost, apply to the Company for a replacement new share certificate in respect of such Shares (the "Relevant Shares"). If a holder of Domestic Shares loses his Share certificate and applies for a new share certificate, it shall be dealt with in accordance with Article 143 of the PRC Company Law. If a Shareholder of H Shares loses his share certificate and applies for a new share certificate, the issue of such certificate shall comply with the following requirements:

(1) the applicant shall submit an application to the Company in the form prescribed by the Company accompanied by a notarial certificate or a statutory declaration stating the grounds upon which the application is made and the circumstances and evidence of the loss of the original certificate and declaring that no other person is entitled to be registered as a Shareholder in respect of the Relevant Shares;

(2) before the Company decides to issue the new share certificate, no statement made by any person other than the applicant declaring that he shall be registered as a Shareholder of such shares;

(3) if the Company decides to issue a new share certificate to the applicant, it shall make an announcement of its decision at least once every 30 days for a period of 90 days in such newspapers as may be designated by the Board of Directors;

(4) the Company shall have, prior to publication of its decision to issue a new share certificate, delivered to the Stock Exchange a copy of the announcement to be published. The Company may publish the announcement upon receiving a confirmation from the Stock Exchange that the announcement has been exhibited in the premises of the Stock Exchange. The announcement shall be exhibited in the premises of the Stock Exchange for a period of 90 days.

If the application for issuing a new share certificate has not been approved by the registered Shareholders of the Relevant Shares, the Company shall send a copy of the announcement to be published to such shareholders by post;

(5) if, upon expiration of the 90-day period referred to in the above (3) and (4), the Company has not received from any person notice of any disagreement to such replacement of share, the Company may issue a replacement new share certificate to the applicant accordingly;

(6) where the Company issues a replacement new share certificate under this clause, it shall immediately cancel the original share certificate and enter the cancellation and replacement issue in the register of shareholders accordingly; and

(7) all expenses relating to the cancellation of an original share certificate and the issue of a replacement new share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until reasonable security is provided by the applicant for such expenses.

Untraceable Members

The Company exercises power to cease sending dividend warrants by post to a holder holding overseas-listed foreign Shares, but the Company shall exercise the right only after a dividend warrant fails to be redeemed for two consecutive occasions. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered. The Company shall not exercise power to sell the Shares of a Shareholder holding foreign Shares listed overseas who is untraceable unless:

(1) the Company has distributed dividends for at least three times in respect of such Shares during a period of 12 years, but none of such dividends was claimed; and

(2) on expiry of the 12 years the Company gives notice of its intention to sell the Shares by way of an advertisement published in one or more newspapers and notifies the Stock Exchange of such intention.

The Board of Directors

The Board of Directors shall be accountable to the Shareholders' general meeting of the Shareholders, and shall exercise the following functions and powers:

(1) to be responsible for the convening of and reporting to the Shareholders' meeting;

(2) to implement the resolutions passed by the Shareholders' meeting;

(3) to determine the Company's business plans and investment proposals;

(4) to formulate the Company's preliminary and final annual financial budgets;

(5) to formulate the Company's profit distribution proposal and loss recovery proposal;

(6) to make plans for the Company's increasing or decreasing its registered capital and issuing bonds;

(7) to formulate plans for the Company's merger, division, or dissolution;

(8) to decide on the Company's internal management structure;

(9) to appoint or remove the Company's manager and to engage or remove the Company's deputy manager and other members of senior management including the chief financial officer, and to decide on their remuneration and payment method;

(10) to formulate the Company's basic management system;

(11) to formulate proposals for any amendment to the Company's Articles of Association;

(12) to exercise any other functions and powers conferred upon by the Articles of Association or the Shareholders' meeting of the Company.

Resolutions regarding Clause (6), Clause (7) and Clause (11) above shall be passed by over two thirds of the total number of the Directors, and resolutions in relation to the rest of the circumstances above shall be passed by over half of the total number of the Directors.

Meetings of the Board of Directors shall be held regularly at least four times each year and shall be convened by the chairman of the Board of Directors. Directors shall be notified ten days before the date of the meeting. A quorum will be formed by more than half of the Directors (including the proxies) attending a Board meeting in person. If a Director is unable to attend a Board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization. Directors attending Board meetings on behalf of other directors shall exercise their power as directors within their scope of authorization. If a Director fails to attend a Board meeting and does not appoint an attorney to attend, the Director is deemed to have waived his rights to vote at that meeting. Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the Board of Directors must be passed by more than half of all the Directors. Where the numbers of votes cast for and against a resolution are equal, the chairman shall have the right to cast an additional vote.

Independent Non-executive Directors

The Board of Directors shall include three independent non-executive Directors at all times. The independent non-executive Directors shall be directly accountable, and report, to the shareholders' general meeting, the securities regulatory authorities and other relevant government agencies.

At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. Moreover, at least one of the independent non-executive Directors must be ordinarily resident in Hong Kong.

Secretary to the Board of Directors

The secretary to the Board of Directors shall be a natural person who has the requisite professional knowledge and experience employed and removed by the Board.

The Company Secretary

The Board of Directors should approve the selection, appointment or dismissal of the company secretary, and a Board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical Board meeting rather than a written resolution. The company secretary shall be a person by virtue of his academic or professional qualifications or relevant experience, who is capable of performing the functions of company secretary.

Board of Supervisors

The Company shall have a Board of Supervisors.

The Board of Supervisors shall be composed of four members, one of whom shall be the chairman of the Board of Supervisors. The term of office of supervisors shall be three years, renewable upon re-election.

The election or removal of the chairman of the Board of Supervisors shall be decided by two-thirds or more of the Supervisors. The decisions of the Board of Supervisors shall be made by the affirmative vote of two-thirds or more of the supervisors. The Directors and senior officers of the Company shall not act concurrently as Supervisors.

The Board of Supervisors shall be held accountable to the Shareholders' meeting and exercise the following functions and powers in accordance with the laws:

(1) to inspect the Company's financial affairs;

(2) to supervise the work of the Directors, manager and other members of senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of the Shareholders' meeting;

(3) to demand redress from Directors, manager or any other members of senior management should their acts be deemed against the Company's interests;

(4) to review such financial information as the financial statements, business reports and any plans for distribution of profits to be submitted by the Board of Directors to the Shareholders' meeting, and to retain, on the Company's behalf any certified public accountants or chartered auditors to assist in the review of such information should any doubt arises with respect thereof;

(5) to propose the convening of extraordinary general meetings;

(6) to coordinate with Directors on behalf of the Company or initiate legal proceedings against the Directors;

(7) to perform and exercise other functions and powers designated by Shareholders at Shareholders' meetings.

Manager

The manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(1) to operate and manage the Company as well as implement resolutions of the Board of Directors;

(2) to implementing the Company's annual operation and investment plan;

(3) to make plans for the structuring of the Company's internal management departments;

(4) to formulate the Company's basic management system;

(5) to formulate regulations for the Company;

(6) to propose to appoint or remove vice managers and other members of senior management (including the chief financial officer);

(7) to appoint or remove management staff except those that shall be appointed or removed by the Board of Directors;

(8) to exercise other functions and powers conferred upon by the Articles of Association and the Board of Directors.

Common Reserve Fund

After making up for the losses and making contributions to the common reserve fund, any remaining after tax profits (the lower of IFRS and PRC GAAP after tax profits) may be distributed to the Shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association that profit distributions shall not be made in accordance with the shareholding proportion.

The common reserve fund of the Company shall be used to make up for its losses, increase the scale of production and operation of the Company or convert the same into the capital of the Company to increase the amount thereof, provided that the capital common reserve fund shall not be applied to making up the losses of the Company.

At the time of converting the statutory common reserve fund into registered capital, the amount retained in such common reserve fund shall not be less than 25% of the registered capital before the said conversion.

Dispute Resolution

The Company shall abide by the following principles for dispute resolution:

(1) Any disputes or claims: (i) between the Company and the Directors or members of senior management; and (ii) between holders of foreign Shares (including holders of overseas listed foreign Shares and holders of non-listed foreign Shares) and the Company, between holders of foreign Shares (including holders of overseas-listed foreign Shares and holders of non-listed foreign Shares) and the Directors, Supervisors, manager or other members of senior management, and between holders of overseas-listed foreign Shares and holders of non-listed foreign Shares or holders of Domestic Shares, with respect to any rights or obligations by virtue of the Articles of Association, PRC Company Law, the Special Regulations and any rights or obligations conferred upon or imposed by any other relevant laws and administrative regulations concerning the affairs of the Company, shall be submitted to arbitration by the parties concerned. When the aforementioned dispute or claim of rights is submitted to arbitration, the entire claim or dispute shall be submitted to arbitration, and all persons whose causes of action were based on the same ground, giving rise to the dispute or claim or whose participation shall be necessary for the resolution of such dispute or claim, shall, where such person is the Company, the Company's Shareholders, Directors, Supervisors, manager, or other members of senior management of the Company, comply with the arbitration. Disputes with respect to the definition of Shareholders and disputes concerning the register of Shareholders need not be resolved by arbitration.

(2) A claimant may select an arbitration to be administered either by the CIETAC in accordance with its Rules, or the HKIAC in accordance with its Securities Arbitration Rules.

Once a claimant submits a dispute or claim of rights to arbitration, the other party must submit to the arbitration institution selected by the claimant.

If a claimant selects the HKIAC as the arbitration institution, either party to the dispute or claim may apply for the arbitration venue to be in Shenzhen, in accordance with the Securities Arbitration Rules of the HKIAC.

(3) Unless laws and regulations specify otherwise, laws and regulations of China are applicable to arbitration of settling the dispute or claim for rights as described in Clause (1) above.

(4) The award of the arbitration shall be conclusive and binding on all the parties.

FURTHER INFORMATION ABOUT THE COMPANY

Incorporation

The Predecessor Company was incorporated in Zhejiang Province, the PRC as a limited liability company under the PRC Company Law on 17 July 1996. On 29 December 2014, the Predecessor Company was converted into a joint stock limited company and renamed as Jujiang Construction Group Co., Ltd. (巨匠建設集團股份有限公司), namely the Company. The Company has established a place of business at 22/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 6 October 2015. Li & Partners has been appointed as our agent for the acceptance of service of process in Hong Kong.

As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix VI to this Prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC and Hong Kong is set out in Appendix V to this Prospectus.

Changes in the Registered Share Capital of the Company

The Predecessor Company was incorporated in Zhejiang Province, the PRC as a limited liability company with an initial registered share capital of RMB17,683,500 under the PRC Company Law on 17 July 1996.

For details of changes in the registered share capital of the Company since its establishment, please refer to the section headed "History and Development" in this Prospectus.

Resolutions Passed at the Company's Extraordinary General Meeting on 23 December 2015

At the extraordinary general meeting of the Company held on 23 December 2015, among other things, the following resolutions were passed by our Shareholders:

(a) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall become effective on the Listing Date;

(b) approving the issue of H Shares with a par value of RMB1.00 each (the number of the H Shares so issued shall not exceed 133,360,000 Shares representing approximately 25% of the total issue share capital of the Company after the Global Offering) and granting of the Over-allotment Option in respect of no more than 19,935,000 H Shares representing approximately 14.95% of the number of H Shares issued as above mentioned;

(c) subject to the completion of the Global Offering, the Board has been granted a general mandate to allot and issue Domestic Shares and/or H Shares, either separately or concurrently, at any time within a period of up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, and to make necessary amendments to the Articles of Association, provided that the number of Domestic Shares and/or H Shares to be issued shall not exceed 20% of the number of our Domestic Shares in issue or H Shares in issue (as the case may be) as of the Listing Date; and

(d) authorising the Board to handle all matters relating to, among other things, the issue of H Shares and the listing of H Shares on the Stock Exchange.

OUR SUBSIDIARIES

The Company's subsidiaries as of 30 June 2015 are set out under the financial statement in the Accountants' Report as included in Appendix I to this Prospectus.

Save as disclosed in the section headed "History and Development" in this Prospectus, there has not been any changes in the share capital to any of our subsidiaries within the two years preceding to the date of this Prospectus.

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business), within two years preceding the date of this Prospectus which are or may be material to our business:

(a) the Deed of Indemnity;

(b) the Non-Competition Agreement; and

(c) the Hong Kong Underwriting Agreement.

Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered Proprietor	Place of Registration	Registration Number	Class(es)	Duration
1	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119039	6	14 February 2010 to 13 February 2020
2	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119037	3	7 August 2010 to 6 August 2020
3	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119035	1	14 April 2010 to 13 April 2020
4	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119031	37	28 June 2010 to 27 June 2020
5	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119029	40	7 August 2010 to 6 August 2020
6	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119028	39	21 May 2010 to 20 May 2020
7	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119027	36	21 September 2010 to 20 September 2020
8	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119026	35	21 May 2010 to 20 May 2020

No.	Trademark	Registered Proprietor	Place of Registration	Registration Number	Class(es)	Duration
9	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119025	28	28 April 2010 to 27 April 2020
10	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119022	22	21 March 2010 to 20 March 2020
11	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119017	17	28 January 2010 to 27 January 2020
12	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119016	16	7 May 2010 to 6 May 2020
13	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119013	11	21 February 2010 to 20 February 2020
14	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119012	9	7 August 2012 to 6 August 2022
15	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119023	24	28 June 2010 to 27 June 2020
16	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119014	12	28 March 2010 to 27 March 2020
17	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119032	42	7 March 2011 to 6 March 2021
18	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119038	4	14 February 2010 to 13 February 2020

No.	Trademark	Registered Proprietor	Place of Registration	Registration Number	Class(es)	Duration
19	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119020	20	7 May 2010 to 6 May 2020
20	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119021	21	7 May 2010 to 6 May 2020
21	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	6119018	19	28 June 2010 to 27 June 2020
22	巨匠建设 JUJIANG CONSTRUCTION	Company	PRC	4328386	37	7 September 2009 to 6 September 2019
23	巨匠建设 JUJIANG CONSTRUCTION GROUP	Company	PRC	8944565	37	7 January 2012 to 6 January 2022
24	巨匠集团 JUJIANG CONSTRUCTION GROUP	Company	PRC	8944590	37	7 January 2012 to 6 January 2022
25	巨匠建设集团 JUJIANG CONSTRUCTION GROUP	Company	PRC	8944605	37	14 January 2012 to 13 January 2022
26	巨匠	Company	PRC	7670091	7	28 November 2010 to 27 November 2020
27		Company	PRC	8944622	37	14 January 2012 to 13 January 2022

No.	Trademark	Registered Proprietor	Place of Registration	Registration Number	Class(es)	Duration
28	巨匠科技 JUJIANG TECHNOLOGY	Company	PRC	11841193	37	14 May 2014 to 13 May 2024
29	巨匠科技 JUJIANG TECHNOLOGY	Company	PRC	11841214	37	14 May 2014 to 13 May 2024
30	巨匠科技 JUJIANG TECHNOLOGY	Company	PRC	11841237	37	14 May 2014 to 13 May 2024
31	巨匠集团 JUJIANG GROUP	Company	PRC	11841287	37	14 May 2014 to 13 May 2024
32	巨匠集团 JUJIANG GROUP	Company	PRC	11841300	37	14 May 2014 to 13 May 2024
33	巨匠集团 JUJIANG GROUP	Company	PRC	11841327	37	14 May 2014 to 13 May 2024
34	巨匠交通 JUJIANG TRAFFIC	Company	PRC	11841363	37	14 May 2014 to 13 May 2024
35	巨匠交通 JUJIANG TRAFFIC	Company	PRC	11841463	37	14 May 2014 to 13 May 2024

No.	Trademark	Registered Proprietor	Place of Registration	Registration Number	Class(es)	Duration
36	巨匠交通 JUJIANG TRAFFIC	Company	PRC	11841475	37	14 May 2014 to 13 May 2024
37	巨匠房产 JUJIANG REAL ESTATE	Company	PRC	11846053	37	21 May 2014 to 20 May 2024
38	巨匠市政 JUJIANG ADMINISTRATION	Company	PRC	11846129	37	21 May 2014 to 20 May 2024
39	巨匠市政 JUJIANG ADMINISTRATION	Company	PRC	11846138	37	21 May 2014 to 20 May 2024
40	巨匠市政 JUJIANG ADMINISTRATION	Company	PRC	11846152	37	28 May 2014 to 27 May 2024
41	巨匠幕墙 JUJIANG CURTAIN WALL	Company	PRC	11846168	37	28 May 2014 to 27 May 2024
42	巨匠幕墙 JUJIANG CURTAIN WALL	Company	PRC	11846185	37	28 May 2014 to 27 May 2024

No.	Trademark	Registered Proprietor	Place of Registration	Registration Number	Class(es)	Duration
43	巨匠幕墙 JUJIANG CURTAIN WALL	Company	PRC	11846202	37	28 May 2014 to 27 May 2024
44	巨匠房产 JUJIANG REAL ESTATE	Company	PRC	11846399	37	21 May 2014 to 20 May 2024
45	巨匠房产 JUJIANG REAL ESTATE	Company	PRC	11846424	37	21 May 2014 to 20 May 2024

As of the Latest Practicable Date, we have applied for the registration of the following material trademarks:

No.	Trademark	Applicant	Place of Application	Application Number	Class(es)	Date of Application
1	匠心 INGENUITY	Company	PRC	16902119	20	8 May 2015
2	匠心 INGENUITY	Company	PRC	16901765	2	8 May 2015
3	匠心 INGENUITY	Company	PRC	16902169	21	8 May 2015

No.	Trademark	Applicant	Place of Application	Application Number	Class(es)	Date of Application
4	匠心 INGENUITY	Company	PRC	16902400	37	8 May 2015
5	匠心 INGENUITY	Company	PRC	16902651	42	8 May 2015
6	匠心 INGENUITY	Company	PRC	16902501	39	8 May 2015
7	匠心 INGENUITY	Company	PRC	16902509	41	8 May 2015
8	匠心 INGENUITY	Company	PRC	16901891	9	8 May 2015
9	匠心 INGENUITY	Company	PRC	16901829	6	8 May 2015
10	匠心 INGENUITY	Company	PRC	16901732	1	8 May 2015

No.	Trademark	Applicant	Place of Application	Application Number	Class(es)	Date of Application
11	匠 心 INGENUITY	Company	PRC	16902043	19	8 May 2015
12	匠 心 INGENUITY	Company	PRC	16901989	17	8 May 2015
13	匠 心 INGENUITY	Company	PRC	16902004	11	8 May 2015
14	匠 心 INGENUITY	Company	PRC	16902315	35	8 May 2015
15	匠 心 INGENUITY	Company	PRC	16902712	43	8 May 2015
16	匠 心 INGENUITY	Company	PRC	16902314	36	8 May 2015
17	巨匠匠心	Company	PRC	16902910	37	8 May 2015

No.	Trademark	Applicant	Place of Application	Application Number	Class(es)	Date of Application
18	A. 巨匠建设 JUJIANG CONSTRUCTION GROUP	Company	Hong Kong	303399382	19 & 37	6 May 2015
	B. 巨匠建设 JUJIANG CONSTRUCTION GROUP					

Patents

As of the Latest Practicable Date, we are the registered proprietors of the following patents which, in the opinion of our Directors, are material to our business:

No.	Patent Name	Patent Holder(s)	Place of Registration	Patent Number	Class of Patents	Patent Application Date
1.	Handheld electrical steel bar tying machine (手持式電動鋼筋紮絲機)	Company	PRC	ZL200710068072.X	Invention	18 April 2007
2.	A removable elevating communication base stations and construction method (一種可移動升降式通訊基站及其施工方法)	Company	PRC	ZL201310111187.8	Invention	1 April 2013
3.	A deep foundation pit support structure and construction methods and removal method (一種深基坑支撐結構及其施工方法和拆除方法)	Company	PRC	ZL201310114277.2	Invention	3 April 2013

No.	Patent Name	Patent Holder(s)	Place of Registration	Patent Number	Class of Patents	Patent Application Date
4.	Aluminum alloy frame construction formwork splice connecting structure (鋁合金框建築模板拼接連接結構)	Company	PRC	ZL201210058162.1	Invention	7 March 2012
5.	A type of method for making rough wood grain decoration wall with bare concrete (一種清水混凝土凹凸木紋裝飾牆體的製作方法)	Company	PRC	ZL201410162328.1	Invention	22 April 2014
6.	Handheld electrical steel strapping machine (手持式電動鋼筋捆紮機)	Company	PRC	ZL200720108319.1	Utility Model	18 April 2007
7.	PVC plastic corner wrapping threads (PVC塑料包角線條)	Company	PRC	ZL200920117716.4	Utility Model	16 April 2009
8.	A butterfly-shaped plastic pad (一種蝴蝶形塑料墊塊)	Company	PRC	ZL201020260764.1	Utility Model	12 July 2010
9.	Rotary buckle type plastic cushion block (一種旋扣式塑料墊塊)	Company	PRC	ZL201020260761.8	Utility Model	12 July 2010
10.	An adjustable spanner (一種活動扳手)	Company	PRC	ZL201020604710.2	Utility Model	12 November 2010
11.	A lightning rod decorative base (一種避雷針裝飾底座)	Company	PRC	ZL201120198812.3	Utility Model	14 June 2011

No.	Patent Name	Patent Holder(s)	Place of Registration	Patent Number	Class of Patents	Patent Application Date
12.	Aluminum alloy frame construction formwork (鋁合金框建築模板)	Company	PRC	ZL201220082070.2	Utility Model	7 March 2012
13.	A deep foundation pit support structure (一種深基坑支撐結構)	Company	PRC	ZL201320162858.9	Utility Model	3 April 2013
14.	A second grade crushing device for waste glass pulverizer (一種廢舊玻璃粉碎機的二級粉碎裝置)	Company	PRC	ZL201320213107.5	Utility Model	24 April 2013
15.	A third grade crushing device for waste glass pulverizer (一種廢舊玻璃粉碎機的三級粉碎裝置)	Company	PRC	ZL201320213437.4	Utility Model	24 April 2013
16.	A type of beijing brick decoration wall (一種京磚裝飾牆)	Company	PRC	ZL201420080981.0	Utility Model	25 February 2014
17.	A type of grand theatre outer wall decorated with beijing brick (一種京磚裝飾的大劇院外牆)	Company	PRC	ZL201420080997.1	Utility Model	25 February 2014
18.	Cushion construction formwork for slanting surface in foundation pit (一種基坑斜面墊層施工模板)	Company	PRC	ZL201420144720.0	Utility Model	27 March 2014
19.	A kind of flower basket trolley cantilever (一種花籃拉桿懸挑架)	Company	PRC	ZL201520053513.3	Utility Model	26 January 2015

No.	Patent Name	Patent Holder(s)	Place of Registration	Patent Number	Class of Patents	Patent Application Date
20.	A cleaning device for vehicle in construction site (一種建築工地車輛清洗裝置)	Company	PRC	ZL201520374642.8	Utility Model	2 June 2015
21.	A protection device for building hole (一種建築洞口防護裝置)	Company	PRC	ZL201520374454.5	Utility Model	2 June 2015
22.	PVC plastic corner wrapping threads (PVC塑料包角線條)	Company	PRC	ZL200930136537.0	Design	16 April 2009

Under PRC laws, a granted invention patent has a validity period of 20 years from the date of its application and a granted utility model or design patent has a validity period of ten years from the date of its application.

As of the Latest Practicable Date, we have made the following patent applications:

No.	Patent Name	Applicant	Place of Application	Application Number	Class	Application Date
1.	Construction method for hand painting (手工彩繪的施工方法)	Company	PRC	2015100408871	Invention	27 January 2015
2.	A type of method for conducting foundation pit bevel bed course construction by adopting inverted trapezoidal formwork (一種採用倒梯形模板進行基坑斜面墊層施工的方法)	Company	PRC	2014101192564	Invention	27 March 2014

No.	Patent Name	Applicant	Place of Application	Application Number	Class	Application Date
3.	A type of installing method for construction formwork of rough wood grain decoration wall made of bare concrete (一種清水混凝土凹凸木紋裝飾牆體的施工模板的安裝方法)	Company	PRC	2014101622384	Invention	22 April 2014
4.	A type of construction method of beijing brick decorating wall (一種京磚裝飾牆的施工方法)	Company	PRC	2014100640440	Invention	25 February 2014
5.	A type of grand theatre outer wall decorated with beijing bricks (一種京磚裝飾的大劇院外牆)	Company	PRC	2014100641180	Invention	25 February 2014
6.	A type of beijing brick decorating wall (一種京磚裝飾牆)	Company	PRC	2014100648917	Invention	25 February 2014
7.	A type of movable spanner and method using the same to quickly connect rebars (一種活動扳手及採用該活動扳手快速連接鋼筋的方法)	Company	PRC	2013101112211	Invention	1 April 2013

Domain Name

As of the Latest Practicable Date, we have registered the following domain names which our Directors consider are material to our business:

Entity name	Domain name or internet keywords	Date of registration	Expiry date
The Company	jujianggroup.com	21 June 2012	21 June 2016
The Company	jujiang.cn	6 April 2005	6 April 2016

DISCLOSURE OF INTERESTS

Disclosure of our Directors' and Supervisors' Interests in the Registered Capital of the Company and its Associated Corporations

Immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, the beneficial interests or short positions of our Directors, Supervisors and the chief executives in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), will be required: (i) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register required to be kept therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company, once the H Shares are listed, are as follows:

The Company

Director/ Supervisor	Nature of interest	Number of shares held after the Global Offering(1)	Approximate shareholding percentage in the relevant class of shares after the Global Offering	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering
Mr. Lv Yaoneng(2)	Interest of controlled corporation	204,000,000 Domestic Shares (L)	51%	38.25%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) Jujiang Holdings is held as to approximately 51.33% by Mr. Lv Yaoneng. Mr. Lv Yaoneng controls more than one-third of the voting rights of Jujiang Holdings and are deemed to be interested in its interest in the Company by virtue of the SFO.

Associated Corporation

Director/ Supervisor	**Associated Corporation**	**Nature of interest**	**Approximate shareholding percentage in the relevant class of shares in the Associated Corporation**
Mr. Lv Yaoneng	Jujiang Holdings	Beneficial Owner(1)	51.33%
	Jujiang Industrial	Beneficial Owner(3)	10.00%
Mr. Lv Dazhong	Jujiang Holdings	Beneficial Owner(1)	11.42%
Mr. Lu Zhicheng	Jujiang Holdings	Beneficial Owner(1)	6.58%
Mr. Li Jinyan	Jujiang Holdings	Beneficial Owner(1)	5.33%
Mr. Shen Bingkun	Jujiang Holdings	Beneficial Owner(1)	7.46%
Mr. Shen Haiquan	Jujiang Equity Investment	Beneficial Owner(2)	2.41%
Mr. Zheng Gang	Jujiang Equity Investment	Beneficial Owner(2)	2.10%
Mr. Zou Jiangtao	Jujiang Equity Investment	Beneficial Owner(2)	0.45%

Notes:

(1) The disclosed interest represents the interests in Jujiang Holdings, the associated corporation which is owned as to approximately 51.33% by Mr. Lv Yaoneng, 11.42% by Mr. Lv Dazhong, 6.58% by Mr. Lu Zhicheng, 7.46% by Mr. Shen Bingkun, 2.31% by Mr. Fan Zhiming, 8.52% by Mr. Wang Shaolin, 1.96% by Mr. Ma Shengliang, 5.33% by Mr. Li Jinyan and 5.09% by Mr. Gao Xingwu, respectively.

(2) The disclosed interest represents the interests in Jujiang Equity Investment, the associated corporation which is owned by 164 individual shareholders together as to 100%, of which two are Directors (Mr. Shen Haiquan and Mr. Zheng Gang who owned 2.4049% and 2.0964% of Jujiang Equity Investment respectively), one is a Supervisor (Mr. Zou Jiangtao who owned 0.4493% of Jujiang Equity Investment), 113 are current employees other than Directors and Supervisors, ten are former employees, one is Mr. Lv Yuntao, who is Mr. Lv Yaoneng's son (who owned 13.5303% of Jujiang Equity Investment) and 37 are Independent Third Parties.

(3) The disclosed interest represents the interests in Jujiang Industrial, the associated corporation which is owned as to 10% by Mr. Lv Yaoneng and 90% by Jujiang Technology, respectively.

Substantial Shareholders

So far as our Directors are aware, immediately following the Global Offering (without taking into account any H Shares that may be issued upon the exercise of the Over-allotment Option), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Shareholders	Nature of interest	Number of Shares held after the Global Offering[(1)(2)]	Approximate shareholding percentage in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering[(3)]
Jujiang Holdings[(4)]	Beneficial Owner	204,000,000 Domestic Shares (L)	51%	38.25%
Ms. Shen Hongfen[(5)]	Interest of spouse	204,000,000 Domestic Shares (L)	51%	38.25%
Jujiang Equity Investment[(6)]	Beneficial Owner	196,000,000 Domestic Shares (L)	49%	36.75%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) The calculation is based on the percentage of shareholding in the Domestic Shares.

(3) The calculation is based on the total number of 533,360,000 Shares in issue after the Global Offering.

(4) Jujiang Holdings will be directly interested in approximately 38.25% in the Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).

(5) Ms. Shen Hongfen (沈洪芬), the spouse of Mr. Lv Yaoneng, is deemed to be interested in Mr. Lv Yaoneng's interest in the Company by virtue of the SFO.

(6) Jujiang Equity Investment will be directly interested in approximately 36.75% in the Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).

Particulars of Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of the Directors and Supervisors has entered into a contract in respect of, among others, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with the Company.

Each of our Directors and Supervisors has entered into a service contract with the Company on 23 December 2015. The principal particulars of these service contract are: (i) for a term of three (3) years commencing from the Listing Date; and (ii) subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules or regulations.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

Directors' and Supervisors' Remuneration

For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Directors and Supervisors were approximately RMB1,405,000, RMB1,350,000, RMB1,474,000 and RMB606,000, respectively. Save as disclosed under Note 9 to the financial information in the Accountants' Report set out in Appendix I to this Prospectus, no Director or Supervisor received other remuneration or benefits in kind from the Company in respect of the three years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015.

Save as disclosed above, no other payments have been paid or are payable by us to the Directors and Supervisors in respect of the three years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015.

There is no arrangement under which any Director or Supervisor has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments by any Director or Supervisor during the current financial year.

Under the current arrangements, our Directors will be entitled to receive compensation (including remuneration and benefits in kind) from the Company for the year ending 31 December 2015 under arrangement in force as of the date of this Prospectus which is expected to be approximately RMB1,400,000 in aggregate.

Under the current arrangements, our Supervisors will be entitled to receive compensation (including remuneration and benefits in kind) from the Company for the year ending 31 December 2015 under arrangement in force as of the date of this Prospectus which is expected to be approximately RMB370,000 in aggregate.

Each of the Directors and Supervisors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

Agency Fees or Commissions Paid or Payable

Save as disclosed in the section headed "Underwriting" in this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of our subsidiaries within the two years ended on the date of this Prospectus.

Related Party Transactions

During the two years preceding the date of this Prospectus, we have engaged in the material related party transactions as described in Note 35 under Section II to the Accountants' Report set out as Appendix I to this Prospectus.

Disclaimers

Save as disclosed in this Prospectus and as of the Latest Practicable Date:

(a) our Directors are not aware of any other person (not being a Director or Supervisor or the chief executive of the Company) who will, immediately following completion of the Global Offering, have interests and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group;

(b) none of our Directors or Supervisors or the chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company, our subsidiary or any of the associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors or Supervisors nor any of the parties listed in "– Other Information – Consents of Experts" of this Appendix was interested, directly or indirectly, in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to any member of the Company, or were proposed to be acquired or disposed of by or leased to any member of the Company;

(d) none of our Directors or Supervisors nor any of the parties listed in "– Other Information – Consents of Experts" was materially interested in any contract or arrangement subsisting at the date of this Prospectus which was significant to the business of the Company taken as a whole;

(e) save in connection with the Underwriting Agreements, none of the experts referred to in "– Other Information – Consents of Experts" has any shareholding in any member of the Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company; and

(f) none of our Directors, Supervisors or their respective associates nor, to the knowledge of the Directors, any Shareholders who held more than 5% of the total Shares as of the Latest Practicable Date had any interest in the five largest customers or the five largest suppliers of the Company.

OTHER INFORMATION

Indemnities

On 23 December 2015, our Controlling Shareholders entered into the Deed of Indemnity with and in favor of the Company, pursuant to which our Controlling Shareholders agreed and undertook with the Company, subject to the terms of the Deed of Indemnity, to indemnify and keep the Company indemnified on a joint and several basis against any and all tax liabilities falling on the Company which might be payable by us in respect of, among others, any incomes, profits or gains earned, accrued or received prior to the date on which the Global Offering becomes unconditional (the "Effective Date"), save in the following circumstances:

(a) to the extent that provision has been made for such taxation in any audited accounts of the Company for any period up to 30 June 2015; or

(b) for which the Company is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets (if any) after the Effective Date; or

(c) to the extent that such taxation or liability falling on the Company in respect of its accounting period commencing from 1 July 2015 unless liability for such taxation would not have arisen but for some act or omission of or transaction voluntarily effected by the Company (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of our Controlling Shareholders, other than any such act, omission or transaction:

    (i) carried out or effected in the ordinary course of business or as part of an acquisition and disposition of capital assets (if any) conducted in the ordinary course on or before the Effective Date; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date; or

(d) to the extent that such taxation arises or is incurred as a result of a retrospective change in laws or interpretation and practice by the SAT or other relevant authority or a retrospective of tax rates coming into force after the Effective Date; or

(e) to the extent that any provisions or reserve made for taxation in the audited accounts of the Company up to 30 June 2015 which is finally established to be an over-provision or an excessive reserve in which case our Controlling Shareholders' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this item (e) to reduce our Controlling Shareholders' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, our Controlling Shareholders also agreed and undertook to indemnify and keep the Company indemnified against any costs, expenses, claims, liabilities, penalties, fines, losses and damages that the Company may suffer due to: (i) the non-compliance with the relevant PRC laws including but not limited to the non-compliance referred to in "Business – Compliance and Legal Proceedings" in this Prospectus including the non-compliance with the social insurance, housing provident funds, inter-company borrowings; (ii) any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against any member of our Group accrued or arising on or before the Listing Date including but not limited to any losses with regard to the Company's non-compliance with the Lending General Provisions; and (iii) the outstanding lawsuits referred to in "Business – Compliance and Legal Proceedings" in this Prospectus.

Estate Duty

Our Directors have been advised that no material liability for estate duty under PRC laws is likely to fall upon us.

Litigation

As of the Latest Practicable Date, save as disclosed in "Business – Compliance and Legal Proceedings" in this Prospectus, the Company is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

Restrictions on Share Repurchase

Please see the section headed "Appendix V – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions – PRC Laws and Regulations – The PRC Company Law, Special Regulations and Mandatory Provisions – Repurchase of shares" in this Prospectus for details.

Sole Sponsor

The Sole Sponsor has declared their independence pursuant to Rule 3A.07 of the Listing Rules.

The Company has agreed to pay the Sole Sponsor a fee of HK$4,000,000 to act as the sole sponsor to the Company in relation to the Global Offering.

The Sole Sponsor has made an application on our behalf to the Listing Committee for listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

Preliminary Expenses

Our preliminary expenses are approximately RMB1,400,000. All preliminary expenses and all expenses relating to the Global Offering will be borne by the Company.

Qualification of Experts

The qualifications of the experts who have given opinions in this Prospectus are as follows:

Name	Qualification
Guotai Junan Capital Limited	Licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO
Ernst & Young	Certified public accountants
AllBright Law Offices	PRC legal advisers
DTZ Debenham Tie Leung Limited	Independent property valuer
Ipsos Limited	Independent industry consultant

No Material Adverse Change

Save as disclosed in this Prospectus, our Directors confirm that there has been no material adverse change in our financial or trading position since 30 June 2015.

Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

Save as disclosed in this Prospectus,

(a) within the two years preceding the date of this Prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) the Company has no outstanding convertible debt securities or debentures;

(e) within the two years immediately preceding the date of this Prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of the Company;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;

(h) none of the equity and debt securities of the Company, if any, is listed or dealt with in any other stock exchange or trading system nor is any listing or permission to deal being or proposed to be sought;

(i) there is no subsidiary in our Group which is a sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture; and

(j) the Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited company and do not expect to be subject to the *PRC Sino-Foreign Joint Venture Law* (中華人民共和國中外合資經營企業法).

Consents of Experts

Each of the experts as referred to in "– Other Information – Qualification of Experts" 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 valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of the Company or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Company.

Promoters

The Promoters of the Company are Jujiang Holdings and Jujiang Equity Investment.

Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given to the Promoters named above in connection with the Global Offering or the related transactions described in this Prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in "Appendix VII – Statutory and General Information – Other Information – Consents of Experts" in this Prospectus, and certified copies of the material contracts referred to in "Appendix VII – Statutory and General Information – Further Information about the Business – Summary of Material Contracts" in this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) the Articles of Association;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this Prospectus;

(c) the audited consolidated financial statements of the Company for each of the financial years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015;

(d) the report on the unaudited pro forma financial information of the Company from Ernst & Young, the text of which is set out in Appendix II to this Prospectus;

(e) the letter, summary of values and valuation certificates prepared by DTZ, the text of which is set out in Appendix III to this Prospectus;

(f) the PRC Company Law, the Special Regulations and the Mandatory Provisions together with unofficial English translations thereof;

(g) the PRC legal opinions issued by our PRC Legal Advisers, in respect of various aspects of the Company and the property interests of the Company in the PRC;

(h) the material contracts referred to in "Appendix VII – Statutory and General Information – Further Information about the Business – Summary of Material Contracts" in this Prospectus;

(i) the written consents referred to in "Appendix VII – Statutory and General Information – Other Information – Consents of Experts" in this Prospectus;

(j) the service contracts referred to in "Appendix VII – Statutory and General Information – Disclosure of Interests – Particulars of Service Contracts" in this Prospectus; and

(k) the Ipsos Report.

Jujiang Construction Group Co., Ltd.
巨匠建設集團股份有限公司