



光大永年
*Everbright Grand China
Assets Limited*

Everbright Grand China Assets Limited

光大永年有限公司

(Incorporated in the British Virgin Islands with limited liability and transferred by way of continuation into the Cayman Islands)

Stock Code: 3699

**GLOBAL
OFFERING**



Joint Sponsors and Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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



Everbright Grand China Assets Limited

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(incorporated in the British Virgin Islands with limited liability and transferred by way of continuation into the Cayman Islands)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 110,400,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 11,040,000 Shares (subject to adjustment)
Number of International Placing Shares	: 99,360,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$1.49 per Offer 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 and subject to refund)
Nominal value	: US\$0.1 per Share
Stock code	: 3699

Joint Sponsors and Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



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 the section headed "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, which is expected to be on or around Monday, January 8, 2018 and, in any event, not later than Friday, January 12, 2018. The Offer Price will be no more than HK\$1.49 per Offer Share and is currently expected to be no less than HK\$1.30 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Friday, January 12, 2018, or such other date as agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below as 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 South China Morning Post (in English) and Tai Kung Pao (in Chinese) and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.ebgca.com.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. See "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" for details.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Agreements and Expenses — Hong Kong Public Offering — Grounds for Termination" for details.

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 and sold within the United States or to, or for the account or benefit of any U.S. person.

December 29, 2017

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and Tai Kung Pao (in Chinese) if there is any change to the following expected timetable of the Hong Kong Public Offering.

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website www.hkeipo.hk ⁽²⁾	11:30 a.m. on Monday, January 8, 2018
Application lists open ⁽³⁾	11:45 a.m. on Monday, January 8, 2018
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Monday, January 8, 2018
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Monday, January 8, 2018
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 Monday, January 8, 2018
Application lists close ⁽³⁾	12:00 noon on Monday, January 8, 2018
Expected Price Determination Date ⁽⁵⁾	Monday, January 8, 2018
Announcement of:	
(a) the Offer Price;	
(b) the level of indication of interest in the International Placing;	
(c) the level of applications in the Hong Kong Public Offering; and	
(d) the basis of allotment of the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) to be published in South China Morning Post (in English) and Tai Kung Pao (in Chinese) and on our website at www.ebgca.com.hk and the website of the Hong Kong Stock Exchange at www.hkexnews.hk on or before	Monday, January 15, 2018
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for the Hong Kong Offer Shares — Publication of Results" from	Monday, January 15, 2018
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 from	Monday, January 15, 2018

EXPECTED TIMETABLE

Despatch of Share certificates in respect of wholly or partially successful applications on or before ⁽⁶⁾	Monday, January 15, 2018
Despatch of refund cheques or e-Auto Refund payment instructions in respect of wholly or partially unsuccessful applications on or before ⁽⁷⁾⁽⁸⁾	Monday, January 15, 2018
Dealings in Shares on the Hong Kong Stock Exchange to commence on	9:00 a.m. on Tuesday, January 16, 2018

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in “Structure and Conditions of the Global Offering”.
- (2) You will not be permitted to submit your application through the **HK eIPO White Form** Service through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force, in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, January 8, 2018, the application lists will not open and close on that day. Further information is set out in “How to Apply for the Hong Kong Offer Shares – Effect of Bad Weather on the Opening of the Application Lists”.
- (4) Applicants who apply for Hong Kong Public Offering by giving **electronic application instructions** to HKSCC should see “How to Apply for the Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS”.
- (5) The Price Determination Date is expected to be on or about Monday, January 8, 2018 and in any event will not be later than Friday, January 12, 2018. If, for any reason, the Offer Price is not agreed on or before Friday, January 12, 2018, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, January 15, 2018 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible. Investors who trade the Hong Kong Offer Shares on the basis of publicly available allocation details before the receipt of their Share certificates or before the Share certificates become valid certificates of title do so entirely at their own risk.
- (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (if applicable) and Share certificates (if applicable) in person from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Monday, January 15, 2018. Identification and (where applicable) authorization documents acceptable to the Hong Kong Branch Share Registrar must be produced at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques (if applicable) in person but may not collect in person their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in “How to Apply for the Hong Kong Offer Shares — Despatch/Collection of Share Certificates and Refund Monies”.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong

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identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus.

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

For further details in relation to the Hong Kong Public Offering, see “How to Apply for the Hong Kong Offer Shares” and “Structure and Conditions of the Global Offering”.

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IMPORTANT NOTICE TO INVESTORS

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

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares.

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

BUSINESS OVERVIEW

We own, lease and manage properties located in Chengdu, Sichuan province, and also own and lease a property located in Kunming, Yunnan province. As of the Latest Practicable Date, our property portfolio comprised three commercial properties, namely Everbright Financial Center, part of Everbright International Mansion and Ming Chang Building, with a total GFA of approximately 89,506.5 sq.m. and residential properties, namely part of Dufu Garden, with a total GFA of approximately 2,121.4 sq.m. Except for Ming Chang Building, we developed these properties during the late 1990s and early 2000s and selectively retained ownership of these properties which we believe to have strategic value to generate stable and recurring leasing revenue. As of the Latest Practicable Date, we held the properties with a total GFA of approximately 89,770.5 sq.m. for investment purposes, a total GFA of approximately 977.8 sq.m. for use of our own offices and a total GFA of approximately 879.6 sq.m. for sale. According to the Property Valuer, the market value of our properties held for investment was RMB866.8 million as of October 31, 2017. For the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the average occupancy rates for our properties held for investment were approximately 80.9%, 82.0%, 77.7% and 77.1%, respectively. As of the Latest Practicable Date, we had leased to our tenants a total GFA of approximately 72,038.6 sq.m., representing 80.2% of the total GFA of our properties held for investment.

The table below sets forth a summary of our property portfolio as of the Latest Practicable Date:

	<u>GFA Owned (sq.m.)</u>	<u>% of Total GFA Owned</u>	<u>Completion Date</u>	<u>Expiration Date of Land Use Right</u>
<i>Commercial Properties</i>				
Everbright Financial Center ⁽¹⁾	34,334.5	37.5%	May 2009	June 2044
Everbright International Mansion ⁽²⁾	38,198.6	41.7%	June 2005	June 2044
Ming Chang Building ⁽³⁾	16,973.4	18.5%	November 1995	September 2064
<i>Residential Properties</i>				
Dufu Garden ⁽⁴⁾	2,121.4	2.3%	In and before August 2007	April 2065
Total	<u>91,627.9</u>	<u>100.0%</u>		

Notes:

- (1) We use a total GFA of approximately 977.8 sq.m. as our own offices.
- (2) We own floor 1 to 4 and basement level 2 and 3 of Everbright International Mansion.
- (3) We own floor 1 to 4 of Ming Chang Building.
- (4) We own five villas in Dufu Garden, among which three villas with a total GFA of 1,241.8 sq.m. are held for investment, and two villas with a total GFA of 879.6 sq.m. are held for sale.

SUMMARY

We have a stable tenant base which includes banks and financial institutions and government agencies as well as other enterprises. See “Business — Customers — Tenant Profile” for details. Everbright Financial Center and Everbright International Mansion host the public service center for each of the Qingyang district, Chengdu municipal and Sichuan provincial governments. Everbright Financial Center and Ming Chang Building also host China Bohai Bank Chengdu Branch, CE Bank Kunming Branch and CE Securities. We maintain a stable relationship with most of our tenants. As of the Latest Practicable Date, we had a total of 32 tenants, among which 22 had a relationship with us for more than five years.

In order to maximize the value of our properties and keep our properties in a good condition, we have a property management team to manage Everbright Financial Center and Everbright International Mansion, for which we charge property management fees to our tenants and the other owner of Everbright International Mansion for general property management services, value-added property management services and parking management services.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we generated revenue of RMB57.1 million, RMB59.4 million, RMB55.9 million, RMB27.5 million and RMB32.7 million, respectively. The table below sets forth the breakdown of our revenue generated from our three business activities during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Property leasing	39,661	69.4	40,849	68.8	36,935	66.1	18,218	66.2	18,604	56.9
Provision of property management services	17,458	30.6	18,537	31.2	19,001	33.9	9,290	33.8	10,247	31.3
Sales of properties held for sale	—	—	—	—	—	—	—	—	3,850	11.8
Total	<u>57,119</u>	<u>100.0</u>	<u>59,386</u>	<u>100.0</u>	<u>55,936</u>	<u>100.0</u>	<u>27,508</u>	<u>100.0</u>	<u>32,701</u>	<u>100.0</u>

Our profits for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 were RMB39.7 million, RMB34.3 million, RMB31.5 million, RMB18.4 million and RMB9.2 million, respectively. The valuation gains from our investment properties amounted to RMB35.9 million, RMB18.8 million, RMB22.7 million, RMB14.0 million and RMB6.7 million, respectively, for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017.

The leasing revenue derived from our investment properties is the primary source of our revenue.

The following table sets out the average rent of our properties held for investment:

	For the year ended December 31,			For the six months ended June 30,
	2014	2015	2016	2017
	Average Rent ⁽¹⁾ (RMB/month/ sq.m.)	Average Rent ⁽¹⁾ (RMB/month/ sq.m.)	Average Rent ⁽¹⁾ (RMB/month/ sq.m.)	Average Rent ⁽¹⁾ (RMB/month/ sq.m.)
<i>Commercial Properties</i>				
Everbright Financial Center		67.0	68.7	67.5
Everbright International Mansion ⁽²⁾		23.1	23.1	24.9
Ming Chang Building ⁽³⁾		44.2	45.6	42.6
<i>Residential Properties</i>				
Dufu Garden ⁽⁴⁾		24.2	25.0	25.2

SUMMARY

Notes:

- (1) Average rent is calculated as average total property leasing revenue over the weighted average leased GFA during the periods indicated.
- (2) We own floor 1 to 4 and basement level 2 and 3 of Everbright International Mansion.
- (3) We own floor 1 to 4 of Ming Chang Building.
- (4) We own three villas which we held for investment purposes in Dufu Garden.

CUSTOMERS

Our customers are primarily the tenants of our properties as well as the other owner of Everbright International Mansion who owns the rest of the property and engages us for provision of property management services. We endeavor to maintain a stable relationship with our customers. As of the Latest Practicable Date, we had a total of 32 customers, among which 22 had a relationship with us for more than five years. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our five largest customers in terms of revenue contribution accounted for approximately 50.0%, 50.2%, 58.1% and 54.1%, respectively, of our total revenue for the period, and our largest customer in terms of revenue contribution accounted for approximately 14.5%, 14.2%, 16.8% and 17.7%, respectively, of our total revenue for the period. Except for CE Bank Kunming Branch which is a connected person of our Group, none of our Directors or their close associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the five largest customers.

OUR COMPETITIVE STRENGTHS

We believe our success that we have achieved to date and the foundation of our future development are derived from the following competitive strengths:

- (a) Our properties are located in the city centers of Chengdu and Kunming, the key cities of western China;
- (b) We have a stable tenant base, providing us with a stable and recurring revenue source;
- (c) As a member of China Everbright Group, we benefit from synergies with China Everbright Group and recognition of the “Everbright” brand; and
- (d) We have an experienced and stable management team and an in-depth knowledge of our industry.

OUR BUSINESS STRATEGIES

To continue to grow our business, we intent to utilize the following business strategies:

- (a) Expand to overseas market;
- (b) Improve quality of our property management services and expand our service scope;
- (c) Continue to focus on key cities in western China and pursuing suitable investments in commercial properties;

SUMMARY

- (d) Maintain high occupancy rates and maximize long-term value of our properties; and
- (e) Continue to attract, retain and motivate a skilled and talented workforce to support our growth.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive of our Company, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of any options that may be granted under the Post-IPO Share Option Scheme), the following persons will have an interest and/or short position in Shares or underlying Shares that would fall to be disclosed to our Company and the Hong Kong 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 member of our Group:

<u>Name</u>	<u>Capacity</u>	<u>Interests in number of Shares</u>	<u>Approximate percentage of issued Share capital</u>
Lucky Link ⁽¹⁾	Beneficial owner	297,900,000	67.49%
Top Charm ⁽¹⁾	Beneficial owner	33,100,000	7.50%
Capital Century ⁽¹⁾	Interests in controlled corporation	331,000,000	74.99%
CE Hong Kong ⁽²⁾	Interests in controlled corporation	331,000,000	74.99%
China Everbright Group ⁽³⁾	Interests in controlled corporation	331,000,000	74.99%
Huijin ⁽⁴⁾	Interests in controlled corporation	331,000,000	74.99%

Notes:

- (1) Lucky Link and Top Charm will directly hold approximately 67.49% and 7.50% of the total issued Shares, respectively. Capital Century holds 100% shares in Lucky Link and Top Charm and is therefore deemed to be interested in 297,900,000 and 33,100,000 Shares held by Lucky Link and Top Charm, respectively.
- (2) CE Hong Kong is an indirect controlling shareholder of Lucky Link and Top Charm. CE Hong Kong directly holds 99.997% shares in Capital Century, 0.3% of which is held on trust for the National Administrative Bureau of State Owned Property, and indirectly holds 0.003% shares in Capital Century through China Everbright Holdings (Nominee) Limited. Therefore, CE Hong Kong is deemed to be interested in 297,900,000 and 33,100,000 Shares held by Lucky Link and Top Charm, respectively.
- (3) China Everbright Group holds 100% shares in CE Hong Kong and is therefore deemed to be interested in 297,900,000 and 33,100,000 Shares held by Lucky Link and Top Charm, respectively.
- (4) Huijin is indirectly wholly-owned by the State Council and holds 55.67% equity interest in China Everbright Group. It is deemed to be interested in 297,900,000 and 33,100,000 Shares held by Lucky Link and Top Charm, respectively.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering, and assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of any options granted under the Post-IPO Share Option Scheme, China Everbright Group will indirectly hold approximately 74.99% of the issued share capital of our Company through its wholly-owned subsidiaries, namely CE Hong Kong, Capital Century and Lucky Link, and will remain as our controlling shareholder. For the purposes of the Listing Rules, China Everbright Group, CE Hong Kong, Capital Century and Lucky Link are regarded as controlling shareholders of our Company.

SUMMARY

As of the Latest Practicable Date, apart from our Group, various subsidiaries of China Everbright Group conducted certain property holding, property investment, property leasing and/or property management activities in various cities including but not limited to Beijing, Dalian, Hong Kong, Shanghai and Shenzhen (the “Excluded Businesses”).

Our Company considers that there is no substantive competing business or potentially substantive competing business between our Group and other subsidiaries of China Everbright Group for the following reasons:

- (a) Our principal businesses can be geographically delineated from those of the other subsidiaries of China Everbright Group;
- (b) It would be unreasonable and impracticable to require both listed subsidiaries and other unlisted subsidiaries of China Everbright Group to transfer the properties to our Group;
- (c) The landscape for property leasing and management industry is highly fragmented;
- (d) We will have corporate governance mechanisms in place to avoid conflict of interests; and
- (e) China Everbright Group has given us the Non-competition Undertaking in respect of the businesses in the southwest region of the PRC and the U.K. to avoid or minimize the risk of any conflict of interests.

Separately, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the Listing Rules so that the Ministry of Finance, CIC and Huijin shall not be regarded as controlling shareholders or connected persons of our Company under the Listing Rules.

See “Waivers from Strict Compliance with the Listing Rules” and “Relationship with Controlling Shareholders” for details.

KEY FINANCIAL AND OPERATING DATA

The following tables present a summary of consolidated financial information for the periods indicated below:

Selected Line Items of the Consolidated Statements of Profit or Loss

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	57,119	59,386	55,936	27,508	32,701
Cost of sales	(12,607)	(13,277)	(13,909)	(7,525)	(8,553)
Gross profit	44,512	46,109	42,027	19,983	24,148
Valuation gains on investment properties	35,898	18,801	22,673	13,989	6,718
Profit before taxation	54,753	47,799	45,958	26,146	14,805
Profit for the year/period	39,671	34,305	31,514	18,365	9,166

The changes in the fair value of our investment properties resulted in gains recorded from the increase in fair value of investment properties of approximately RMB35.9 million, RMB18.8 million, RMB22.7 million,

SUMMARY

RMB14.0 million and RMB6.7 million, which represented 90.4%, 54.8%, 71.9%, 76.2% and 73.3% of our net profit, respectively, for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017.

The table below sets out the adjusted net profit⁽¹⁾ (excluding the valuation gains on investment properties and the corresponding deferred tax effect, while adding back non-recurring items i.e. the business tax and surcharges paid for the disposal of investment properties and the listing expenses) in each of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017:

	For the year ended December 31,			For the six months ended June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit for the year/period	39,671	34,305	31,514	9,166
Less: valuation gains on investment properties	(35,898)	(18,801)	(22,673)	(6,718)
Add:				
Deferred tax expenses in relation to revaluation of investment properties	8,263	4,701	5,668	1,679
Business tax and surcharges for disposal of investment properties	6,087	—	—	—
Listing expenses	—	—	3,040	7,208
Adjusted net profit for the year/period⁽¹⁾	<u>18,123</u>	<u>20,205</u>	<u>17,549</u>	<u>11,335</u>

Note:

- (1) The adjusted net profit is not a measure under HKFRSs. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that have an impact on our profit for the relevant periods. See “Financial Information — Non-HKFRSs Measures”.

SUMMARY

The following table sets out a breakdown of the revenue of our principal activities and its percentage of total revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Property leasing										
Everbright Financial										
Center.....	23,550	41.2	23,912	40.3	20,342	36.4	9,800	35.6	10,003	30.6
Ming Chang Building	8,544	15.0	9,223	15.5	8,879	15.9	4,571	16.6	4,310	13.2
Everbright International										
Mansion.....	7,207	12.6	7,342	12.4	7,342	13.1	3,661	13.3	3,960	12.1
Dufu Garden	360	0.6	372	0.6	372	0.7	186	0.7	331	1.0
Sub-total.....	<u>39,661</u>	<u>69.4</u>	<u>40,849</u>	<u>68.8</u>	<u>36,935</u>	<u>66.1</u>	<u>18,218</u>	<u>66.2</u>	<u>18,604</u>	<u>56.9</u>
Provision of property management services										
Everbright International										
Mansion.....	9,139	16.0	9,813	16.5	9,912	17.8	4,964	18.1	4,786	14.6
Everbright Financial										
Center.....	<u>8,319</u>	<u>14.6</u>	<u>8,724</u>	<u>14.7</u>	<u>9,089</u>	<u>16.1</u>	<u>4,326</u>	<u>15.7</u>	<u>5,461</u>	<u>16.7</u>
Sub-total.....	<u>17,458</u>	<u>30.6</u>	<u>18,537</u>	<u>31.2</u>	<u>19,001</u>	<u>33.9</u>	<u>9,290</u>	<u>33.8</u>	<u>10,247</u>	<u>31.3</u>
Sales of properties held for sale	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,850</u>	<u>11.8</u>
Total	<u><u>57,119</u></u>	<u><u>100.0</u></u>	<u><u>59,386</u></u>	<u><u>100.0</u></u>	<u><u>55,936</u></u>	<u><u>100.0</u></u>	<u><u>27,508</u></u>	<u><u>100.0</u></u>	<u><u>32,701</u></u>	<u><u>100.0</u></u>

Selected Line Items of Consolidated Statements of Financial Position

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
Current assets	119,108	131,009	53,636	54,315
Current liabilities	125,340	126,201	34,438	32,656
Net current (liabilities)/assets	(6,232)	4,808	19,198	21,659
Total equity	618,908	653,626	695,887	704,865

We had net current liabilities of RMB6.2 million as of December 31, 2014 and net current assets of RMB4.8 and RMB19.2 million as of December 31, 2015 and 2016, respectively. As of June 30, 2017, our net current assets increased to approximately RMB21.7 million from approximately RMB19.2 million as of December 31, 2016. We had net current liabilities as of December 31, 2014 primarily due to our amounts due to Capital Century, our controlling shareholder. See “Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence” for details. We expect to avoid future net current liabilities position with (i) the net proceeds from the Global Offering (see “Future Plans and Use of Proceeds — Use of Proceeds” for details); (ii) funds generated from our business operations; and (iii) elimination of advance to and from related parties.

SUMMARY

Summary of Consolidated Statements of Cash Flow

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash generated from operating activities.....	32,096	36,423	30,393	9,500	12,032
Net cash (used in)/generated from investing activities	(5,012)	660	(471)	(157)	(296)
Net cash used in financing activities	(23,605)	(54,910)	(23,875)	(23,440)	(13,469)
Net increase/(decrease) in cash and cash equivalents...	3,479	(17,827)	6,047	(14,097)	(1,733)
Cash and cash equivalents at the beginning of the year/ period	50,985	54,465	36,640	36,640	42,693
Effect of foreign exchange rate changes	1	2	6	4	(528)
Cash and cash equivalents at the end of the year/ period	<u>54,465</u>	<u>36,640</u>	<u>42,693</u>	<u>22,547</u>	<u>40,432</u>

Key Financial Ratios

The table below sets out our key financial ratios as of the dates or for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2014	2015	2016	2017
Return on equity (%) ^{(1) (6)}	6.1	5.4	4.7	1.3
Return on total assets (%) ^{(2) (6)}	4.0	3.6	3.3	1.0
Interest coverage ratio ⁽³⁾	7.0	7.7	15.7	13.5
Gearing ratio (%) ⁽⁴⁾	20.3	17.1	6.9	5.7
Current ratio ⁽⁵⁾	0.95	1.04	1.56	1.66

Notes:

- (1) Return on equity is calculated by dividing profit for the year/period by the average of the total equity at the beginning and the end of each period.
- (2) Return on total assets is calculated by dividing profit for the year/period by the average of the total assets at the beginning and the end of each period.
- (3) Interest coverage ratio is calculated based on the profit before interest expenses and income tax divided by the interest expenses during each reporting period.
- (4) Gearing ratio is calculated based on our total debts (including bank loans and interest-bearing amounts due to Capital Century) divided by our total equity as of the end of each reporting period.
- (5) Current ratio is calculated based on the total current assets divided by our total current liabilities as of the end of each reporting period.
- (6) The calculation for the return for the six months ended June 30, 2017 has not been annualized.

PROPERTY VALUATION REPORT

Landscape Christie's International Real Estate, an independent property valuer, valued the market values of our property interests as of October 31, 2017. See Property Valuation set out in Appendix III to this prospectus for details. The valuation is carried out on a market value basis. For the property interests which were owner occupied and in vacant possession, the Property Valuer have adopted the direct comparison approach by making

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reference to comparable sales evidence as available in the relevant market. For the tenanted property interests, the Property Valuer have valued the property interests on the basis of capitalization of the net income derived from the existing tenancies with due allowance for reversionary income potential of the respective properties and where appropriate, also made reference to the comparable market transactions.

In conducting its valuation, the Property Valuer has made certain assumptions. You are advised that the appraised value of our property interests should not be taken as their actual realizable value or a forecast of their realizable value. See “Risk Factors — Risks Relating to Our Business and Industry” for details.

For additional details of our property portfolio, see “Business — Our Business — Property Leasing Business — Our Property Portfolio” and Appendix III to this prospectus.

Sensitivity Analysis

Our financial results during the Track Record Period included changes in fair value of our properties and our results may fluctuate due to such changes in the fair value of our properties.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of the changes in fair value gains on investment properties on our profit before tax during the Track Record Period. Fluctuations in the changes in fair value gains on investment properties are assumed to be 5%, 10% and 15%.

	Changes in %		
	+/- 5%	+/- 10%	+/- 15%
	(RMB'000)		
Hypothetical fluctuations			
Increase/decrease in profit before tax for the year ended			
December 31, 2014	+/-1,795	+/-3,590	+/-5,385
December 31, 2015	+/-940	+/-1,880	+/-2,820
December 31, 2016	+/-1,134	+/-2,267	+/-3,401
Increase/decrease in profit before tax for the six months ended			
June 30, 2016	+/-699	+/-1,399	+/-2,098
June 30, 2017	+/-336	+/-672	+/-1,008

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$111.6 million, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by our Company and assuming an Offer Price of HK\$1.39 per Share, being the mid-point of the indicative Offer Price range. We intend to use these proceeds from the Global Offering for the following purposes:

- (a) approximately 80%, or approximately HK\$89.2 million, which is expected to be used in expanding the property portfolio of our Group through acquisition of properties in the major cities of the U.K.. We choose the U.K. as our primary overseas investment destination mainly due to (i) the high level of transparency and liquidity of its real estate market; (ii) its sound legal system; (iii) its strong and solid economic fundamentals; (iv) the depreciation of the British sterling; and (v) the relatively low tax rate as compared to other investment destinations such as the U.S.. We focus on major cities in the U.K., particularly London, which we believe that as the financial and political center of the U.K., it provides a stable and favorable rate of return on investment properties, especially commercial buildings and offices. As such, we plan to expand our property portfolio by acquiring certain properties such as commercial buildings and offices in London. As of the Latest Practicable

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Date, we had not identified any targeted properties for future investment. For details relating to our property selection and acquisition process and criteria, see “Business — Property Selection and Acquisition”. Before the acquisition is made, we intend to deposit the net proceeds of the Global Offering for the above purpose in interest-bearing accounts with licensed commercial banks in Hong Kong;

- (b) approximately 10%, or approximately HK\$11.2 million, which is expected to be used in upgrading the building facilities and/or renovating the properties of our Group; and
- (c) the remaining 10% or approximately HK\$11.2 million, which will be used for our general corporate and working capital purposes.

For further details, see “Future Plans and Use of Proceeds”.

GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumption that (i) the Global Offering has been completed and 110,400,000 new Shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of any options granted under the Post-IPO Share Option Scheme; and (iii) 441,400,000 Shares are in issue following the completion of the Global Offering.

	Based on an Offer Price of HK\$1.30	Based on an Offer Price of HK\$1.49
Market capitalization	HK\$573.8 million	HK\$657.7 million
Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to equity Shareholders of our Company	HK\$2.14	HK\$2.19

For the calculation of the unaudited pro forma adjusted net tangible asset per Share attributable to our Shareholders, see Unaudited Pro Forma Financial Information set out in Appendix II to this prospectus.

LISTING EXPENSES

We incur listing expenses in connection with the Listing, which include professional fees, underwriting commission and other fees and expenses. Total expenses in relation to the Listing are estimated to be approximately RMB35.8 million (assuming an Offer Price of HK\$1.39 per Offer Share, being the mid-point of the Offer Price range of HK\$1.30 to HK\$1.49 and assuming the Over-allotment Option is not exercised). Approximately RMB3.0 million and RMB7.2 million of the listing expenses were charged to our profit and loss account for the year ended December 31, 2016 and the six months ended June 30, 2017, respectively, and RMB5.9 million is expected to be charged to profit and loss account for the six months ending December 31, 2017. The remaining part is expected to be incurred for the year ending December 31, 2018, of which approximately RMB7.1 million is expected to be charged to profit and loss account and RMB12.6 million is expected to be accounted for as a deduction from equity. Our Directors are of the view that the one-off listing expenses will have a material adverse effect on the financial results of our Group for the year ending December 31, 2017 and 2018. However, such listing expenses are non-recurring and an estimate for reference only, which will be recognized in our consolidated statements of profit or loss for the years ending December 31, 2017 and 2018. The actual amount may differ from the estimate.

DIVIDEND

During the Track Record Period, we did not declare or pay any dividend.

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Currently, at the outset and early stage of our overseas expansion plans and initiatives, we do not have a fixed dividend policy and our Company does not have any predetermined dividend payout ratio. As of the Latest Practicable Date, our Group did not expect to declare any dividend in 2017 and 2018 as our Directors believe that at this stage, it is in the interests of our Company and our Shareholders to provide our Group with the greater flexibility to use and devote its proceeds, profits and resources in its overseas development efforts and to maximize the growth potential and investment value of the Company. From 2019 onwards and once our Company's overseas business has been established and stabilized, we will consider declaring dividends and/or adopting a fixed dividend policy that is consistent with our business profile.

The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. In addition, our controlling shareholders will be able to influence the approval by our Shareholders in a general meeting for any payment of dividends. Any declaration, payment as well as the amount of dividends will be subject to the Articles and the Companies Law. Our Shareholders in general meeting may approve and make any declaration of dividends in any currency, but no dividend shall exceed the amount recommended by our Board. Dividends may be paid out of our Company's distributable profits as permitted under the relevant laws.

RECENT DEVELOPMENT

In June 2017, we entered into the contract for sale of one townhouse unit we held in Dufu Garden with a total GFA of approximately 272.9 sq.m. for RMB2.9 million. As of the Latest Practicable Date, we had completed such sale. See "Business — Our Business — Property Leasing Business — Our Property Portfolio — Dufu Garden" for details of these properties. For the year ending December 31, 2017, the following factors may affect our net profit and financial position: (i) decrease in fair value gains of our investment properties; and (ii) increase in one-off listing expenses.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial and trading position for prospects since June 30, 2017, save as disclosed above, and there had been no event since June 30, 2017 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

RISK FACTORS

The primary risks and uncertainties that may affect our business, results of operations, financial condition and prospects include (i) risks relating to our business and industry; (ii) risks relating to the PRC; and (iii) risks relating to the Global Offering. Among these, certain significant risk factors that you should consider may include:

- (a) Our investment or acquisition in the U.K. may not be successful;
- (b) We may face intensified competition from competitors in Chengdu and Kunming and other nearby cities in the PRC;
- (c) The loss of key customers or any breach of their obligations under the lease agreements and property management agreements may have an adverse effect on our financial condition and results of operation;
- (d) We may be unable to renew leases or re-lease vacant space at the same or higher rental rates or at all upon lease expirations or early terminations;

SUMMARY

- (e) We currently rely primarily on leasing revenue from our properties in Chengdu and Kunming; and
- (f) Our financial results during the Track Record Period included changes in fair value of our properties and our result may fluctuate due to such changes in the fair value of our properties.

We may also be subject to other risks and uncertainties that we do not foresee or know at this time. The occurrence of any of the risk factors disclosed in this prospectus may have a material adverse effect on our business, results of operations, financial condition and prospects.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Except as disclosed in “Business — Legal Proceedings and Compliance”, our Directors confirm that our Company or subsidiaries were not involved in any other material litigation or arbitration that individually involved an amount exceeding RMB2 million as of the Latest Practicable Date. We are not aware of any material litigation, arbitration or claims against our Company or subsidiaries that are pending, or to the best knowledge of our Directors, threatened. Except as disclosed in “Business — Legal Proceedings and Compliance”, our Directors also confirm that our Company or subsidiaries are not involved in any other material incidents of non-compliance in our business operations. During the Track Record Period and up to the Latest Practicable Date, our Directors were not aware of any material administrative, governmental or judicial investigations for non-compliance with any laws or regulations that was currently in progress or had been threatened.

DEFINITIONS AND GLOSSARY

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

“13th Five-Year Plan”	the Thirteenth Five-Year Plan for Nation Economic and Social Development (《國民經濟和社會發展第十三個五年規劃綱要》), promulgated by the State Council in March 2016, which sets forth the country’s targets of socio-economic development for the next five years, i.e. between 2016 and 2020
“AIC”	Administration for Industry & Commerce (工商行政管理機關) of the PRC
“anchor tenant”	in the context of property market, refers to those major occupiers who take up large space area of the leased premises and have the ability to attract more people or users to the properties
“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” or “Articles”	the articles of association of our Company, conditionally approved and adopted on December 15, 2017 which will become effective on the Listing Date, as amended or supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of our Company
“Brighter Win”	Brighter Win Limited (光永有限公司), a company incorporated in Hong Kong with limited liability on July 16, 1997 and an indirectly wholly-owned subsidiary of our Company
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, a Sunday or a public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capital Century”	Capital Century Company Limited (國際永年有限公司), a company incorporated in Hong Kong with limited liability on July 10, 1984, and a controlling shareholder of our Company which directly holds 100% shares of Lucky Link and Top Charm
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS AND GLOSSARY

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CE”	China Everbright Limited (中國光大控股有限公司), the predecessor of which was IHD Holding Ltd. (明輝發展有限公司), a company incorporated in Hong Kong on August 25, 1972, whose shares are listed on the Hong Kong Stock Exchange (stock code: 165), and a subsidiary of China Everbright Group due to consolidation of its financial statements into those of China Everbright Group and is therefore a connected person of our Company
“CE Bank”	China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), a company established in the PRC on June 18, 1992 and converted into a joint stock company in 1997, whose shares are listed on the Hong Kong Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818), and a subsidiary of China Everbright Group due to consolidation of its financial statements into those of China Everbright Group and is therefore a connected person of our Company
“CE Greentech”	China Everbright Greentech Limited (中國光大綠色環保有限公司), a company incorporated in the Cayman Islands with limited liability on October 13, 2015, whose shares are listed on the Hong Kong Stock Exchange (stock code: 1257), a subsidiary of China Everbright Group due to consolidation of its financial statements into those of China Everbright Group and is therefore a connected person of our Company
“CE Hong Kong”	China Everbright Holdings Company Limited (中國光大集團有限公司), a company incorporated in Hong Kong with limited liability on May 10, 1983, and a controlling shareholder of our Company which directly holds 99.997% shares in Capital Century and indirectly holds 0.003% shares in Capital Century through a nominee, China Everbright Holdings (Nominee) Limited
“CE International”	China Everbright International Limited (中國光大國際有限公司), a company incorporated in Hong Kong with limited liability on July 10, 1961, whose shares are listed on the Hong Kong Stock Exchange (stock code: 257), and a subsidiary of China Everbright Group due to consolidation of its financial statements into those of China Everbright Group and is therefore a connected person of our Company

DEFINITIONS AND GLOSSARY

“CE Macau”	China Everbright (Macau) Limitada (中國光大(澳門)有限公司), a company established in the PRC with limited liability which was a shareholder of International Mansion
“CE Securities”	Everbright Securities Company Limited (光大證券股份有限公司) (previously known as Everbright Securities Limited (光大證券有限責任公司)) a company established in the PRC with limited liability on April 23, 1996 and converted into a joint stock company on July 14, 2005, whose shares are listed on the Hong Kong Stock Exchange (stock code: 6178) and the Shanghai Stock Exchange (stock code: 601788), a subsidiary of China Everbright Group due to consolidation of its financial statements into those of China Everbright Group and is therefore a connected person of our Company
“Chengdu Hotel”	Chengdu Hotel* (成都賓館), a state-owned enterprise established in the PRC which was a shareholder of International Mansion
“Chengdu Tianfu”	Chengdu Tianfu New Town Convention Center Co., Ltd.* (成都天府新城會議中心有限責任公司), formerly known as Chengdu Yu He Industrial Co., Ltd.* (成都御河實業發展有限責任公司) and Chengdu Financial City Conference Center Co., Ltd.* (成都金融城會議中心有限責任公司), a company established in the PRC which was a shareholder of International Mansion
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“China Bohai Bank”	China Bohai Bank (渤海銀行股份有限公司), a nationwide joint-stock commercial bank established in the PRC
“China Everbright Group”	China Everbright Group Limited (中國光大集團股份公司), a company established in the PRC with limited liability on November 12, 1990, and a controlling shareholder of our Company which directly holds 100% shares in CE Hong Kong
“CIC”	China Investment Corporation (中國投資有限責任公司), a company established in the PRC with limited liability, which is wholly-owned by the State Council and holds 100% interest in Huijin
“CIETAC”	The China International Economic & Trade Arbitration Commission
“CIT”	the PRC Corporate Income Tax
“CIT Law”	the PRC Corporate Income Tax Law (《中華人民共和國企業所得稅法》) issued on March 16, 2007, effective on January 1, 2008
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (2016 Revision) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Everbright Grand China Assets Limited (光大永年有限公司) (formerly known as Grand China Assets Limited), a company incorporated in the BVI with limited liability on August 2, 2000 and transferred by way of continuation into the Cayman Islands as an exempted company with limited liability on September 15, 2016 under the Companies Law
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to China Everbright Group, CE Hong Kong, Capital Century and Lucky Link
“Director(s)”	director(s) of our Company
“Dufu Garden”	Dufu Garden* (杜甫花園), a residential compound located at East Long Teng Road, Wuhou District, Chengdu, Sichuan province, the PRC
“Easewin”	Easewin Properties Limited (怡運置業有限公司), a company incorporated in Hong Kong with limited liability which was a shareholder of Sing Kong City
“Eastmate”	Eastmate Limited (宜萬有限公司), a company incorporated in Hong Kong with limited liability on November 4, 2016 and an indirectly wholly-owned subsidiary of our Company
“EU”	the European Union
“Everbright Century”	Everbright Century Investment Limited (光大永年投資有限公司), a company incorporated in Hong Kong with limited liability on March 31, 2016
“Everbright Financial Center”	Chengdu Everbright Financial Center* (成都光大金融中心大廈), a commercial building located at No. 9 Wenwu Road, Qingyang district, Chengdu, Sichuan province, the PRC
“Everbright International Mansion”	Chengdu Everbright International Mansion* (成都光大國際大廈), a commercial building located at No. 2 Caoshi Street, Qingyang district, Chengdu, Sichuan province, the PRC
“Exchange Participant(s)”	a person: (i) who, in accordance with the rules of the Hong Kong Stock Exchange, may trade on or through the Hong Kong Stock Exchange; and (ii) whose name is entered in a list, register or roll

DEFINITIONS AND GLOSSARY

	kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
“Excluded Businesses”	the controlling shareholders’ activities and businesses that are excluded from our Group, the details of which are set out in “Relationship with Controlling Shareholders — Business Delineation between Us and China Everbright Group”
“Finance Center”	Chengdu Everbright Finance Centre Development Co., Ltd. (成都光大金融中心項目開發有限公司), a company established in the PRC with limited liability on November 28, 1997 and an indirectly wholly-owned subsidiary of our Company
“First Step”	First Step Corporation Limited (首先有限公司), a company incorporated in Hong Kong with limited liability on October 8, 2010 and an indirectly wholly-owned subsidiary of our Company
“GDP”	gross domestic product
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Go West Policy”	China’s Great Western Development Strategy (西部大開發), a regional economic development policy adopted by the PRC government in 2000, which aimed to promote the economic development in western regions in China, covering six provinces (Gansu, Guizhou, Qinghai, Shaanxi, Sichuan and Yunnan); five autonomous regions (Guangxi, Inner Mongolia, Ningxia, Tibet and Xinjiang) and one municipality (Chongqing)
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider, Tricolor Investor Services Limited
“Group”, “our Group”, “our”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of any period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Growing China”	Growing China Limited, a company incorporated in the BVI on July 28, 2000 and a directly wholly-owned subsidiary of our Company
“HK\$” or “HK dollars” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk

DEFINITIONS AND GLOSSARY

“HK eIPO White Form Service Provider”	Tricor Investor Services Limited
“HKFRSs”	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Offer Shares”	11,040,000 new Shares (subject to adjustment as described in “Structure and Conditions of the Global Offering” in this prospectus) initially offered by our Company for subscription pursuant to the Hong Kong Public Offering at the Offer Price
“Hong Kong Public Offering”	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in “Structure and Conditions of the Global Offering” in this prospectus) for cash at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and the Application Forms as further described in “Structure and Conditions of the Global Offering — Hong Kong Public Offering”
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Underwriters”	the underwriters listed in “Underwriting — Hong Kong Underwriters”, being the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement to be dated on or about December 28, 2017 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the “Underwriting — Hong Kong Public Offering”
“Huijin”	Central Huijin Investment Limited (中央匯金投資有限責任公司), a state-owned company established in the PRC with limited liability indirectly and wholly-owned by the State Council through CIC, and directly holds 55.67% equity interest in China Everbright Group
“Independent Third Party(ies)”	an individual or a company who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules

DEFINITIONS AND GLOSSARY

“International Mansion”	Chengdu Everbright International Mansion Co., Ltd.* (成都光大國際大廈有限公司), a company established in the PRC with limited liability on December 29, 1993 and an indirectly wholly-owned subsidiary of our Company
“International Placing”	the offer for subscription of initially 99,360,000 new Shares to institutional, professional, corporate and other investors, subject to adjustment and the Over-allotment Option, as further described in “Structure and Conditions of the Global Offering — International Placing”
“International Placing Shares”	the conditional placing of the International Placing Shares at the Offer Price to selected professional, institutional and other private investors, as set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing which is expected to be entered into by, among others, our Company, the Joint Sponsors, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date
“IRD”	the Inland Revenue Department of Hong Kong
“JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent industry consultant and an independent second property valuer engaged by us
“JLL Report”	an industry research report commissioned by us and prepared by JLL in connection with the Global Offering
“Joint Bookrunners”	China Everbright Securities (HK) Limited, ABCI Capital Limited and CLC Securities Limited
“Joint Global Coordinators”	China Everbright Securities (HK) Limited and ABCI Capital Limited
“Joint Lead Managers”	China Everbright Securities (HK) Limited, ABCI Securities Company Limited and CLC Securities Limited
“Joint Sponsors”	China Everbright Capital Limited and ABCI Capital Limited
“LAT”	land appreciation tax (土地增值稅), which has the meaning ascribed to it under the PRC Provisional Regulations on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and its implementation rules

DEFINITIONS AND GLOSSARY

“Latest Practicable Date”	December 19, 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Tuesday, January 16, 2018, on which our Shares are listed and from which dealings therein are permitted to take place 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
“Lucky Link”	Lucky Link Investments Limited 彩連投資有限公司, a company incorporated in the BVI on November 8, 2016, and a controlling shareholder of our Company
“Macau”	the Macao Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from, and operated in parallel with, the Growth Enterprise Market of the Hong Kong Stock Exchange
“Major Operating Subsidiaries”	the major operating subsidiaries of our Company, namely Brighter Win, Finance Center, International Mansion, Property Management and Sing Kong City
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, conditionally approved and adopted on December 15, 2017 which will become effective on the Listing Date, as amended or supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“Metallic Field”	Metallic Field Limited (美達力富有限公司), a company incorporated in the BVI with limited liability on April 29, 1997 and an indirect wholly-owned subsidiary of our Company
“Ming Chang Building”	Ming Chang Building* (明昌大廈), a building located at No. 28 Ren Min Road Central, Kunming, Yunnan province, the PRC
“Ministry of Commerce” or “MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Ministry of Construction”	the predecessor of the MOHURD
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)

DEFINITIONS AND GLOSSARY

“Ministry of Land and Resources”	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
“Ministry of Public Security”	the Ministry of Public Security of the PRC (中華人民共和國公安部)
“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)
“National Administrative Bureau of State Owned Property”	the National Administrative Bureau of the State Owned Property of the PRC (中華人民共和國國家國有資產管理局)
“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 Undertaking”	the letter of non-competition undertaking dated June 28, 2017 given by China Everbright Group, our controlling shareholder, details of which are set out in “Relationship with Controlling Shareholders — Non-Competition Arrangement and Undertakings”
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final offer price per Share (exclusive of a brokerage fee of 1%, an SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued, or purchased and sold, pursuant to the Global Offering, as further described in “Structure and Conditions of the Global Offering — Hong Kong Public Offering — Allocation”
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares, with any additional Shares to be issued and sold pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by us to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters pursuant to the International Underwriting Agreement, to require our Company to issue up to an aggregate of 16,560,000 additional Shares at the Offer Price to cover over-allocations in the International Placing, if any, exercisable at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30 th day from the last day for lodging applications under the Hong Kong Public Offering, details of which are described in “Structure and Conditions of the Global Offering — Over-allotment Option” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Post-IPO Share Option Scheme”	the share option scheme conditionally adopted by our Company on December 15, 2017 for the benefit of our employees (including our Directors and senior management), the principal terms of which are summarized in “Appendix V — Statutory and General Information — D. Other Information — 1. The Post-IPO Share Option Scheme”

DEFINITIONS AND GLOSSARY

“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“PRC Governmental Bodies”	has the meaning ascribed to it under the Listing Rules
“PRC Legal Advisor”	Tian Yuan Law Firm
“Price Determination Date”	the date, expected to be on or around Monday, January 8, 2018 on which the Offer Price is determined, or such later time as our Company and the Joint Global Coordinators (on behalf of the Underwriters) may agree, but in any event not later than Friday, January 12, 2018
“Property Management”	Chengdu Everbright Property Management Co., Ltd.* (成都光大物業管理有限公司), a company established in the PRC with limited liability on November 28, 2006 and an indirectly wholly-owned subsidiary of our Company
“Property Valuer”	Landscape Christie’s International Real Estate, an independent property valuer engaged by us
“prospectus”	this prospectus being issued in connection with the Global Offering
“Regulation S”	Regulation S under the U.S. Securities Act, as amended from time to time
“Ren Ren Le”	Chengdu Ren Ren Le Commercial Co., Ltd* (成都市人人樂商業有限公司), a superstore operator in Chengdu, Sichuan province, the PRC
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for the Listing as described in “History, Reorganization and Group Structure”
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“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稅務總局)
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS AND GLOSSARY

“SGD”	Singapore dollars, the lawful currency of Singapore
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of US\$0.1 each following the Share Subdivision
“Share Subdivision”	the subdivision of each issued and unissued ordinary share of the Company with par value of US\$1.0 each into 10 ordinary shares with par value of US\$0.1 each to be effected immediately prior to the increase of authorized share capital and completion of the Global Offering, the details of which are described in “Appendix V — Statutory and General Information — A. Further Information about our Group — 4. Resolution in writing of our Shareholders passed on December 15, 2017”
“Shareholder(s)”	holder(s) of the Share(s)
“Sing Kong City”	Chengdu Sing Kong City Real Estate Company Limited (成都新港城置業有限公司), a company established in the PRC with limited liability on January 3, 1993 and an indirectly wholly-owned subsidiary of our Company
“sq.ft.”	square foot (feet)
“sq.km.”	square kilometer(s)
“sq.m.” or “m ² ”	square meter(s)
“Square Field”	Square Field Limited (誠業有限公司), a company incorporated in the BVI with limited liability on August 10, 2010 and an indirectly wholly-owned subsidiary of our Company
“Stabilizing Manager”	China Everbright Securities (HK) Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“sterling” or “£”	the official currency of the U.K.
“Stock Borrowing Agreement”	the stock borrowing agreement which may be entered into between Lucky Link and China Everbright Securities (HK) Limited pursuant to which China Everbright Securities (HK) Limited may borrow up to 16,560,000 Shares from Lucky Link for the purpose of covering any over-allocation under the International Placing
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS AND GLOSSARY

“Top Charm”	Top Charm Investments Limited 領美投資有限公司, a company incorporated in the BVI on October 12, 2016, a connected person of our Company
“Track Record Period”	the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017
“U.K.”	the United Kingdom
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“%”	per cent

In this prospectus, the terms “associate,” “close associate,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

* For identification purposes only

FORWARD-LOOKING STATEMENTS

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

- (a) 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 governmental authorities relating to all aspects of our business and our business plans;
- (b) our ability to successfully implement our business plans and strategies;
- (c) future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- (d) our business prospects;
- (e) our capital expenditure plans;
- (f) the actions and developments of our competitors;
- (g) our financial condition and performance;
- (h) our dividend policy;
- (i) changes in global economic conditions and material volatility in the global financial markets;
- (j) general political and economic conditions, including those related to the PRC;
- (k) changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate; and
- (l) various business opportunities that we may pursue.

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

RISK FACTORS

You should read the prospectus in its entirety and carefully consider all the information in this prospectus, including the risks and uncertainties described below and our financial statements and the related notes, prior to investing in our Shares. The risk factors relating to our business, industry and China may not typically be associated with investing in equity securities of similar companies from other jurisdictions. Our business, financial condition, results of operations and cash flows could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks and you may lose all or part of your investment. In addition, we are also subject to other risks and uncertainties that are not presently known to us or which we currently deem to be immaterial. Such risks and uncertainties could also have a material adverse effect on our business, results of operations, financial conditions, profitability and future prospects.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our investment or acquisition in the U.K. may not be successful

Our future growth largely depends on the success of our investments or acquisition of properties in the U.K., particularly London. Furthermore, approximately 80% of the net proceeds from the Global Offering will be utilized to fund our expansion in the U.K.. The success of any investment or acquisition will depend on a number of factors, including among other things, our ability to identify suitable acquisition targets, complete and integrate the acquisition successfully into our business, and execute our acquisition strategies.

The real estate market in the U.K. is very different from that in the PRC in various aspects, such as land tenure system, length of tenancy lease, market liquidity and tax regime. See “Industry Overview — Comparison of Property Investment, Management and Leasing between the U.K. and the PRC”. Due to the existence of these differences, we may not be able to rely on our experience in the PRC real estate market to ensure the success of our investment in the U.K.. In addition, a referendum was held on June 23, 2016 to decide whether the U.K. should remain in the EU. A vote was given in favor of the U.K. leaving the EU (“**Brexit**”). The extent of the impact of Brexit on the U.K. real estate market will depend on the nature of the arrangements that will be put in place between the U.K. and the EU following the eventual Brexit and the extent to which the U.K. continues to apply law that are based on the EU legislation. There may be a significant period of uncertainty leading up to the eventual Brexit including, among others, uncertainty in relation to any potential regulatory or tax change. In addition, the macroeconomic effect of an eventual Brexit on the value of investments in the U.K. real estate market and, by extension, the value of the potential target, is unknown. As such, it is not possible to accurately estimate the impact that Brexit will have on our potential target or investments in the U.K.. Since our expansion is based upon our forward-looking assessment of market prospects, we cannot assure you that our assessments will always turn out to be correct or we can grow our business as planned.

Our Directors or management team have limited knowledge of the U.K. property market and its legal regime and no experience in investing in properties in the U.K.. As such, we rely on third party experts to help us to identify the potential target and advise us on legal, tax, financial and related matters. We may also engage local property manager, which is a third party professional firm, to manage the properties after the acquisition. We have limited control over these third party experts and local property manager, thus we cannot assure you that these third party experts or local property manager will always act in the best of our interest or duly perform their fiduciary duties owed to us. We may not be able to timely detect fraud or misconduct of these third party experts or local property manager. In addition, the changes of the U.K. tax regime on acquisition and disposal of properties and rental income, which will take effect in 2019 and 2020 respectively, may have adverse effect on the rate of return, breakeven period, and/or target yield of our investment in the U.K.. See “Regulatory Overview — B. Regulatory Overview of the England and Wales Property Industry — Tax Regime on Rental Income and Acquisition and Disposal of Properties” for details. These adverse effect may not be fully taken into account when we assess our investment plan or may cause significant deviation from our expansion plan in the U.K., and thus affect the success of our expansion plan. Any changes of the U.K. government’s policy on inbound investments from foreign investors, including the investments by state-controlled entity like us, or any changes of the PRC government’s policies may affect our ability to make overseas acquisitions or investment. If any of these events occur, our expansion plan in the U.K. may not be carried out as successfully as we planned or at all. In that case, our business, financial condition and results of operations may be adversely affected.

RISK FACTORS

We may face intensified competition from competitors in Chengdu and Kunming and other nearby cities in the PRC

Everbright Financial Center and Everbright International Mansion are located in the traditional business district of Chengdu, while Ming Chang Building is located on one of the major commercial roads in the city center of Kunming. The commercial property sectors in Chengdu and Kunming are competitive markets. We compete for tenants with developers, owners and operators of offices and commercial buildings in the commercial centers of Chengdu and Kunming. According to JLL Report, the commercial property market in Chengdu is considerably fragmented with the presence of traditional large developers and local developers. These existing and potential competitors owning and leasing commercial properties are traditional large property developers with businesses spanning across various countries and cities, local private developers, as well as international and domestic institutional and individual investors engaging in en-bloc and strata-title transactions. Some of these firms provide in-house general and value-added property management services whilst outsourcing to third-party property management specialists is a common practice. Most of the existing and potential competitors owning and leasing office properties in Kunming are local developers, traditional large domestic property developers, which have businesses spanning across various cities, and local state-owned investors. See “Industry Overview — Competitive Landscape of Property Market in Chengdu and Kunming”. In addition, new supply of offices and/or commercial buildings in these commercial centers will result in additional competition for tenants and thus intensify the competition that we may face in these areas. Our competitors may have newer properties in better locations, have been newly renovated with better amenities or are more environmentally friendly, or offer better property management services or lower rent. In addition, although one of the key attractions of our properties is their locations, along with the development of Chengdu and Kunming, there may be other commercial centers developed, which may become popular and attractive to our existing tenants and prospective new tenants. For example, the government is developing a new south area extending towards the second and third rings of Chengdu as a second central business district in Chengdu, which has the largest stock of office properties among other districts. Due to its location and ample supply, the office spaces there are offered at a considerably lower monthly rent than in the traditional business district, which is attractive to start-up companies and local firms. As a result, our existing tenants may relocate away from our properties, and we may have to lower our rental rates in order to retain existing tenants or attract new tenants. We cannot assure you that our properties are able to compete with the others and any inability to compete effectively could result in the loss of tenants and property leasing revenue, which may materially and adversely affect our business, financial conditions, results of operations and prospects.

The loss of key customers or any breach of their obligations under the lease agreements and property management agreements may have an adverse effect on our financial condition and results of operations

We rely on a limited number of customers for our property leasing revenue and property management revenue. Our customers are primarily the tenants of our properties as well as the owner of Everbright International Mansion who owns the rest of the property and engages us for provision of property management services. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the five largest customers in terms of revenue contribution, all of whom are the tenants of our properties, accounted for approximately 50.0%, 50.2%, 58.1% and 54.1%, of our total revenue for the relevant periods, respectively, and our largest customer in terms of revenue contribution accounted for approximately 14.5%, 14.2%, 16.8% and 17.7%, respectively, of our total revenue for the periods. There are various factors affecting our key customers’ decisions to continue to lease our properties, to retain our property management services, or to renew their leases and property management agreements upon expiry, which are out of our control. These factors may include, among other things:

- (a) the local economic conditions;
- (b) business operation and development of our customers;
- (c) the customers’ financial position;

RISK FACTORS

- (d) the suitability of our properties for their business development; and
- (e) cost control measures.

Any loss of key customers or any breach of their obligations under the lease agreements or property management agreements may adversely affect our revenue from property leasing and property management. If any of our key customers decide not to renew their lease or terminate their lease early, we may not be able to re-let the space on similar terms or at all. In the event that any key customers' experiences a downturn in its business, it may be unable to make timely rental or property management fee payments. Our claims for unpaid rent or property management fees against a default tenant may not be paid in full. In addition, we would incur time and expense relating to any eviction proceedings and would be unable to collect rent or property management fees during such proceedings. Furthermore, loss of major customers, especially the tenants who are international or national leading brands, may adversely affect the attractiveness of our properties. As a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

We may be unable to renew leases or re-lease vacant space at the same or higher rental rates or at all upon lease expirations or early terminations

As of June 30, 2017, leases representing approximately 10.2%, 12.7% and 22.5% of the total GFA of our investment properties were scheduled to expire in the second half of 2017 and the year ending December 31, 2018 and 2019, respectively. In addition, leases may be terminated before expiration, especially during an economic downturn. During the Track Record Period, three tenants terminated their leases before expiration, and we were able to locate replacement tenants after their departure. We did not experience any default by our tenants during the Track Record Period which had a material adverse effect on our business and financial results. However, some of our tenants delayed their rental payments after their leases expired as of June 30, 2017. These tenants have indicated their intention to renew the leases and continued to occupy the properties. As of Latest Practicable Date, we had entered into renewed leases with these tenants except one tenant which was undergoing internal approval procedures to renew the lease. There is no assurance that we will be able to renew these leases or fully collect the overdue rents or secure replacement tenants for the vacant space at the same or higher rental rates. If we are unable to renew leases or re-lease a significant portion of the available space, we may experience long periods of vacancy at our properties and thus we may experience substantial decrease in our property leasing revenue. In addition, we may have to lower rental rates to secure tenants which would also negatively affect our revenue. As a result, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected.

We currently rely primarily on leasing revenue from our properties in Chengdu and Kunming

We currently rely primarily on property leasing business to generate revenue. As a secondary source of revenue, our revenue from property management service business is predominantly generated from property management services provided to the tenants of our properties. Furthermore, our properties are primarily located in western China, in particular, Chengdu, Sichuan province and Kunming, Yunnan province. This concentration may entail a higher level of risk when compared to some other companies and listed real estate corporations that have more revenue sources, in particular those with properties which are spread across several different provinces in the PRC or those which have a more diverse range of investments. A concentration of investments in such specific regions causes us to be highly susceptible to market conditions in the PRC as a whole and western China in particular. Any circumstances that adversely affect the commercial leasing environments in western China may adversely affect the revenue generated by our properties, and we will not have income from other investments to mitigate any ensuing loss arising from such circumstances. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISK FACTORS

Our financial results during the Track Record Period included changes in fair value of our properties and our results may fluctuate due to such changes in the fair value of our properties.

We principally hold our investment properties for recurring leasing revenue. We appointed qualified Property Valuers to reassess the fair value of our investment properties at every reported statement of financial position date based on market approach and term and reversion method. The fair values of our investment properties as of December 31, 2014, 2015 and 2016 and June 30, 2017 were approximately RMB815.3 million, RMB834.2 million, RMB857.1 million and RMB864.3 million, respectively. This resulted in gains recorded from the increase in fair value of investment properties of approximately RMB35.9 million, RMB18.8 million, RMB22.7 million and RMB6.7 million, respectively, for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017. See “Financial Information — Description of Selected Statement of Profit or Loss Line Items — Valuation Gains on Investment Properties” for details of changes in fair value of our properties. According to HKAS 40, the Hong Kong Accounting Standard for investment properties issued by Hong Kong Institute of Certified Public Accountants, investment properties may be recognized by using either the fair value model or the cost model. Our Directors are of the view that periodic fair value adjustments in accordance with the then prevailing market conditions, irrespective of whether such market trend moves upwards or downwards, should be recorded so that our financial statements present a more up-to-date picture of the fair value of our investment properties. However, prospective investors should be aware that an upward change in the fair value, which reflects unrealized capital gain of our investment properties at the relevant statement of financial position dates and not profit generated from day to day rentals of our investment properties, largely depends on the prevailing property markets and does not generate cash inflow to us for dividend distributions to Shareholders until such investment properties are disposed of. The amount of revaluation adjustments has been, and will continue to be, significantly affected by prevailing property market conditions and is subject to property market fluctuations. We cannot assure you that changes in property market conditions will continue to create fair value gains on our investment properties at previous levels or at any level at all, or that the fair value of our investment properties will not decrease in the future. In particular, the fair value of our investment properties could decline in the event of, among other things, implementation of the PRC government policies which aim at stabilizing the property prices, or any global market fluctuations and economic downturn. There is no assurance that the fair value on our investment properties will increase. Should there be any material downward change in the fair value of our investment properties in the future, our results of operations and financial position may be adversely affected.

Fair value of our properties are assessed by our Property Valuer and are calculated based on certain assumptions adopted by them. We cannot assure you that the assumptions used by the Property Valuer will be realized. Assumptions used by our Property Valuer when valuing our properties may exceed the corresponding parameters in the current market and/or corresponding historical parameters associated with our properties. As a result, the appraised value of our properties may differ from their actual realizable value or a forecast of their realizable value. In addition, upward reduction adjustments represent unrealized capital gain on our investment properties and do not generate cash flow to our Group. See “Property Valuation” set out in Appendix III to this prospectus for further information regarding the assumptions adopted by the Property Valuer.

If any of the assumptions adopted by our Property Valuer in reaching the appraised values of our properties proves to be inaccurate, the appraised values of our properties may be materially affected. As a result, the appraised values of our properties may differ materially from the sale of our properties in the market and should not be taken as their actual or estimated realizable value. Unforeseeable changes in circumstances such as any downturn in national and local economic conditions, tightening of government austerity measures with respect to the property sector, any deterioration in the macroeconomic environment or for other reasons may also adversely affect the value of our properties.

Any such decrease in the fair value of our investment properties will reduce our profits and could have a material adverse effect on our results of operations, financial condition and business prospects. We may also record a loss for a year as a result of such decrease in fair value of our investment properties.

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Renovation or redevelopment works or physical damage to our properties may disrupt the operations of our properties and require capital expenditures periodically beyond our current estimates

The quality and design of our properties have a direct influence over the demand for space in, and the rental rates of, our properties. The properties may need to undergo renovation or redevelopment works from time to time to maintain their competitiveness and may also require additional capital expenditure, special repair or maintenance expenses in respect of faults or problems that may develop or physical damage resulting from fire or other causes or because of new planning laws or regulations. As a result, we may incur periodic capital expenditures for refurbishment and renovation of the properties in order to remain competitive. We incurred payment for the purchase of property, plant and equipment and investment properties of approximately RMB0.2 million, RMB0.5 million, RMB0.8 million and RMB0.5 million, respectively for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 and expect to incur approximately RMB1.5 million for the six months ending December 31, 2017. As most of our properties were built in the late 1990s, they are subject to natural wear and tear concerning the building structure and operating conditions. The costs of maintaining commercial properties and the risk of significant and potentially unexpected maintenance or repair requirements tend to increase over time as the building further ages.

The business and operations of our properties may suffer some disruption and we may not be able to collect the full or any rental income on space affected by such renovation and redevelopment works. For example, during the course of renovation and redevelopment works, we cannot lease the subject space, and the redevelopment works may create nuisance to other tenants and thereby affect their use of space and their willingness to renew their lease with us. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Furthermore, the properties including the communal areas may be damaged in a variety of ways that are out of our control, including but not limited to natural disasters, tenants' intended or unintended actions, and epidemics, such as severe acute respiratory syndrome. In particular, our properties are located in Sichuan and Yunnan province, areas which are highly susceptible to earthquakes. In the event of natural disasters, such as earthquakes, typhoons and floods, our properties may be materially damaged. In addition, if any person purposely or recklessly sets fire or causes flooding in an office or communal area, the exterior of the building, corridors and stairways may be damaged, or if a person commits or is suspected of having committed criminal activities within our properties, we need to allocate additional resources to assist the police and other governmental authorities with their investigations. In the event of any damage that affects the communal areas, our current tenants may be affected and we may have to fix the damages with our own proceeds and then attempt to collect fees from the responsible party to cover our expenses. However, we may face difficulties in collecting such fees from the responsible party.

We may not be able to obtain sufficient funding for our future development

We require a significant amount of funding to support our future investment and acquisition of properties. To the extent that our funding requirements exceed our financial resources, we may be required to seek additional debt or equity financing, or be required to defer our expansion plan. Our ability to obtain external financing in the future and the cost of such financing are subject to a variety of factors and uncertainties, including but not limited to:

- (a) the conditions of the general financial, capital and credit markets;
- (b) potential changes in monetary policies with respect to bank interest rates, foreign exchange rates and overall lending policy;
- (c) our ability to obtain the relevant government approvals required to access domestic and international financing; and
- (d) performance of our business and financial conditions at that time.

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Our total borrowings, which included primarily bank loans amounted to approximately RMB76.9 million, RMB62.6 million, RMB47.8 million and RMB40.2 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. While our financial leverage has remained relatively stable during the Track Record Period, any material adverse change in our cash flows from operating activities may weaken our financial condition and adversely affect our ability to repay loans on a timely basis or obtain any necessary external financing or credit on terms acceptable to us, or at all. As of June 30, 2017, approximately 26.7% of our total loans were short-term loans with maturities of one year or less. If we are unable to obtain sufficient financing on a timely basis or at reasonable cost, we may not be able to undertake investments or acquisitions of suitable target properties, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, in order to obtain financing from lenders, we are usually required to provide security, such as mortgage over our properties or pledge on our rental income or equity interest of our subsidiaries to secure our loans. In the event of any default or late payment of our loans, the lenders may enforce their security interest on our properties or equity interests in our subsidiaries, such as foreclose on these security properties, and/or we may lose part or all of our rental income. If any of these events occur, our business, financial condition and results of operations may be adversely affected.

Our future investments or acquisitions may not be successful

Our future growth largely depends on the success of our investments or acquisitions of other commercial properties. The success of any investments or acquisitions will depend on a number of factors, including among other things, our ability to identify suitable acquisition targets, complete and integrate the acquisition successfully into our business, and execute the acquisition strategies.

We also plan to continue to evaluate opportunities to acquire commercial properties overseas. However, there can be no assurance that we will be able to identify suitable opportunities. Even if we do identify suitable opportunities, we may not be able to complete the investments or acquisitions on terms acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

In addition, our investments or acquisitions overseas involve uncertainties and risks, including, among other things:

- (a) unfamiliarity with local operating and market conditions, such as the condition of local commercial property markets, competitions and levels of rent, and lack of understanding of local taxation and other laws, regulations, standards and other requirements;
- (b) unfavorable fluctuations of foreign currencies and restrictions on conversion;
- (c) political risks and abrupt changes in foreign government regulations or policies, particularly an investment restriction and unfavorable treatment of foreign investment;
- (d) any hidden defect of or any liability in or associated with the target property;
- (e) fluctuations in the economy and financial markets, as well as credit risk;
- (f) lack of well-developed or independent legal system in foreign countries, which may create difficulties for us to enforce our contractual rights; and
- (g) other factors, barriers to entry or risks that are not presently contemplated or expected.

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To succeed in the operation and management of the target properties, we will need to recruit and train new managers and other employees, select third-party suppliers, and continue to build our operations and reputation and understand the needs and preference of the tenants of our target properties. This may distract our management and employees and increase our expenses, any of which could materially and adversely affect our business, financial position and results of operations.

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

We invest solely in real property, which entails a higher level of risk than a portfolio which has a diverse range of investments. Property investments, particularly investments in high value properties such as those in which we may from time to time consider to invest, are relatively illiquid. In particular, the market for acquiring or disposing of office and/or commercial properties has historically not been very active in Chengdu and Kunming, and is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. In addition, office buildings may not readily be converted to alternative uses if they were to become unprofitable due to competition, age, decreased demand or other factors. The conversion of an office building to a building with an alternative use would also generally require substantial capital expenditure. Such factors, together with the fact that the lease agreements usually continue following a sale of an office and/or commercial property, may limit the number of possible purchasers, thus affecting our ability to dispose the interest in our properties. We cannot assure you that we will be able to sell such investment properties at competitive prices or on terms satisfactory to us, or at all.

We may not have adequate insurance coverage to cover our potential liability or losses

We face various risks in connection with our properties and businesses and may lack adequate insurance coverage or may have no relevant insurance coverage in certain circumstances. In addition, in line with general industry practice in the PRC, we do not maintain insurance in respect of litigation risks, business termination risks, product liability or loss of important personnel of our Group. See “Business — Insurance” for details. The occurrence of any of these events may result in an interruption of our operations and subject us to significant losses or liabilities. In addition, there are certain losses for which insurance is not available on commercially reasonable terms, such as losses suffered due to war, civil unrest and certain other events of *force majeure*. Further, we could suffer physical damage caused by fire or other causes and we may suffer public liability claims, resulting in losses (including loss of rent), which may not be fully compensated for by insurance proceeds. Should an uninsured loss or a loss in excess of insured limits occur, we could be required to pay compensation and/or lose the capital invested in our properties as well as anticipated future revenue from the properties. Nonetheless, we would remain liable for any debt or other financial obligation, such as committed capital expenditures, related to our properties. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our business, results of operations and financial condition may be materially and adversely affected.

In addition, when our current insurance policies expire, we will have to seek renewal of the policies and negotiate acceptable terms for coverage, exposing us to the volatility of the insurance markets, including the possibility of increased premiums. We regularly monitor the state of the insurance market, but we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance premiums or decrease in available coverage in the future could adversely affect our business, financial condition and results of operations.

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Existing or planned amenities and transportation infrastructure near our properties may be closed, relocated, terminated, delayed or abandoned

There is no assurance that existing or planned amenities, transportation infrastructure and public transportation services near our properties will not be closed, relocated, terminated, delayed or abandoned. If such an event were to occur, it may adversely impact the accessibility of our properties and the attractiveness and marketability of our properties to tenants. As a result, it may lead to decreases in rental rates and occupancy rates of our properties, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

Macro-economic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations

The industries that we operate in are affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, all of our operations are conducted in the PRC and accordingly, our results of operations are closely affected by the macro-economic conditions in the PRC. Any deterioration of the Chinese economy, deterioration of tenants' businesses, fear of a recession and decreases in tenant confidence may lead to existing tenants' reluctances in agreeing to an increase in rent levels or renewal of tenancies, and we may have to decrease rent level in order to retain those tenants. This could in turn materially and adversely affect our financial condition and results of operations.

Moreover, the occurrence of a sovereign debt crisis, banking crisis or other disruptions in the global financial markets that could impact the availability of credit generally may have a material and adverse impact on financing available to us. Renewed turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

Accidents in our business may expose us to liability and reputational risk

Accidents may occur during the course of our business. We provide repair and maintenance services to the properties through our own employees or third-party service providers. Repair and maintenance services such as elevator maintenance involve the operation of heavy machinery and therefore, are generally subject to certain risks of accidents. These occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability. Working in a dangerous environment presents risks to our employees and third-party service providers. In addition, we are exposed to claims that may arise due to employees' or third-party service providers' negligence or recklessness when performing repair and maintenance services. We may be held liable for the employees', service providers' or tenants' injuries or deaths. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

The real estate industry may be adversely affected by laws and regulations

The real estate industry is subject to extensive governmental regulations. As with other property owners in the PRC, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC real estate sector by imposing industry policies and other economic measures, such as control of foreign exchange, taxation, financing and foreign investment. Among other things, these measures

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include raising benchmark interest rates of commercial banks, placing additional limitations on the ability of commercial banks to make loans to property investors, imposing additional taxes and levies on property sales, restricting foreign investment in the PRC property sector and restricting purchase of properties in some cities in China. See “Regulatory Overview” for details. Many of the real estate industry policies carried out by the PRC government are unprecedented and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and future business development. We cannot assure you that the PRC government will not adopt any additional and more stringent industry policies and regulations in the future. If we fail to adapt our operations to comply with new policies and regulations that may come into effect from time to time with respect to the real estate industry, or such policy changes disrupt our business prospects or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be adversely affected.

There is uncertainty about the amount of the land grant premium which we will have to pay and additional conditions which may be imposed if we decide to seek extensions of the land use rights for our properties upon expiration of the current land use rights and there can be no assurance that such extension will be obtained as there are currently few precedents for any such extension

We hold the properties under a land use right granted by the PRC government for a limited time span. The land use right granted normally has a term of 50 years for commercial use and 70 years for residential purposes since the date of granting. The land use right for our properties will expire earliest in 2044 and latest 2065. Upon the expiration of such term, the land use right as well as the ownership of the properties (including all buildings and structures situated on the land) will revert to the PRC government unless the land user applies for an extension of the term of the land use right. If such an application is granted, the holder of the land use rights will be required, among other things, to pay a land grant premium. As most of the land use rights granted by the PRC government to date have not yet run their full term, there are limited precedents to provide any indication of the amount of land grant premium which we will have to pay and additional conditions which may be imposed if we decide to seek extensions of the land use rights for our properties upon the expiration thereof, or if an extension would be granted at all. In addition to the potential impact at the time of expiration, this uncertainty may also adversely affect the value of the properties and the willingness of lenders to accept a charge over the properties as security for our borrowings. Furthermore, the PRC government has the power to resume compulsorily any land in the PRC even before the end of such use term where a legitimate public interest for requisition of such land is established. In such event, the existing occupier of the land would no longer have any right to occupy the land and any immovable assets on the land would cease to be owned by the existing occupier. In the event of any compulsory resumption of property in the PRC before the end of its use term, the land user will be compensated by the PRC government. However, if the land use right in respect of any of our properties were so resumed compulsorily by the PRC government, the level of compensation paid to us as the owner of the property may be less than the price which we paid for our interest in the property. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our ability to maintain and improve our current level of profitability depends on our ability to control operating costs, in particular, labor costs, and our profit margins and results of operations may be materially and adversely affected by increase in labor or other operating costs

In 2014, 2015 and 2016 and the first half of 2017, staff costs in cost of sales represented 38.4%, 42.3%, 44.2% and 43.8%, respectively, of our total cost of sales. To maintain and improve our profit margins, it is critical for us to effectively control and reduce our labor as well as other operating costs. We face pressure of increase in our labor cost from various aspects, including, but not limited to:

- (a) increase in minimum wage. Minimum wages across China are set at the regional or district level based largely on standards determined by relevant provincial, municipal and autonomous region governments. The minimum wage in the regions and districts in which we operate has increased substantially in recent years, impacting directly on our direct labor costs as well as the fees we pay to our third-party service providers; and

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- (b) increase in headcount. As we expand our operations, the headcount for our property management team as well as administrative staff will continue to grow. We will also need to retain and continuously recruit qualified employees to meet our growing demand for talents, which will also increase our total headcount.

Our ability to maintain and improve our current profitability level depends upon whether we can effectively control and reduce our labor and other operating costs as our business continues to grow. There is no assurance that we will be able to continue to control or reduce our cost or improve our cost efficiency. If we cannot achieve this, our business, financial position and results of operations may be adversely affected.

We were in net current liability position as of December 31, 2014

We recorded net current liabilities of RMB6.2 million as of December 31, 2014. See “Financial Information — Net Current Assets and Liabilities” for detailed analysis on our net current liability position. We may have net current liabilities in future. Having significant net current liabilities could constrain our operational flexibility and materially and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operation to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. There is no assurance that we could obtain necessary funds on commercially acceptable terms, or at all. This could materially and adversely affect its business expansion plans, financial condition and results of operations.

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

The growth and success of our business has depended significantly on certain members of our senior management, in particular, Mr. Liu Jia, our executive Director, chairman and chief executive officer, and Mr. Lin Zimin, our executive Director and general manager. See “Directors and Senior Management” for details of their experiences. Mr. Liu and Mr. Lin, like most of the other members of our senior management, have served us for more than 5 years and have played, and are expected to continue to play, key roles in making major business decisions. If we were to lose the services of Mr. Liu, Mr. Lin or any of our other senior management for any reason, we may not be able to find suitable replacements for them. As competition in the PRC for senior management and key personnel with experience in property management is intense and the pool of qualified candidates is limited, we may not be able to retain the services of key personnel, or hire, train and retain high-quality senior executives or other skilled employees in the future. In addition, if any Director or any member of our senior management team or any of our other key personnel were to join a competitor or carry on a competing business, we may lose customers and key professionals and staff members. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified personnel. If we were unable to successfully retain the services of our current key personnel and hire, train and retain senior executives and other skilled employees, our ability to manage our investments, successfully market our properties and provide services could be harmed and our business and prospects could be adversely affected.

We engage third-party property agents for locating suitable tenants of our properties and may be affected by the performance of such agents

We retained Independent Third Party property agents for locating suitable tenants of our properties. See “Business — Sales and Marketing” for details. We expect to continue to engage third-party property agents on a term-by-term basis to conduct marketing of our properties in the near future.

To ensure that our marketing strategies and plans are implemented we engage property agents to refer potential tenants from time to time. We do not have long term agreements with any property agents and only

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engage them when there are empty spaces available for rent in our properties. Our marketing team monitors such agents' sales and marketing activities. However, we cannot assure you that the property agents we engage are in compliance in all material respects with PRC laws and regulations applicable to us. If any of the property agents that we engage fails to comply with applicable PRC laws and regulations in our marketing campaigns, we may lose a portion of our tenants, our reputation and credibility could be harmed, and our business, financial condition and results of operations may be adversely affected.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, tenants and other third parties

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, tenants or other third parties that could subject them to litigation, financial losses and sanctions imposed by governmental authorities, which will in turn affect our reputation. Such misconduct could include:

- (a) hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- (b) intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to us when deciding whether to make an investment or dispose of assets;
- (c) engaging in improper activities such as maliciously vandalizing our properties, offering bribes to counterparties in return for any type of benefits or gains;
- (d) improperly using or disclosing confidential information;
- (e) misappropriation of funds;
- (f) conducting transactions that exceed authorized limits;
- (g) engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- (h) engaging in unauthorized or excessive transactions to the detriment of our tenants; or
- (i) otherwise not complying with applicable laws or our internal policies and procedures.

We design our internal control procedures to monitor operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or if at all. As such, we cannot assure you that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, we may experience negative publicity, and our business and brand may be materially and adversely affected.

Our controlling shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders

Our controlling shareholders will, upon the completion of the Global Offering, beneficially own approximately 74.99% of our outstanding share capital. As such, our controlling shareholders will have substantial control over our business. By virtue of their ownership of our share capital as well as their positions on our Board, they will be able to exert significant influence over our business and other matters of significance to us and other Shareholders by voting at general meetings of our Shareholders or our Board meetings, including:

- (a) election of our Directors;

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- (b) selection of senior management members;
- (c) amount and timing of dividend payments and other distributions;
- (d) acquisition of or merger with another entity;
- (e) overall strategic and investment decisions;
- (f) issuance of securities and adjustment to our capital structure; and
- (g) amendments to our Articles of Association.

The interests of our controlling shareholders may differ from the interests of other Shareholders, and they are free to exercise their votes according to their own interests. In particular, our controlling shareholders are able to:

- (a) subject to applicable laws and regulations, cause our Board to act in a manner that may not be in the best interests of our other Shareholders;
- (b) subject to the provisions of our Articles of Association, cause us to adopt amendments to our Articles of Association, including amendments that are not in the best interests of our other Shareholders; or
- (c) otherwise determine the outcome of most corporate actions, including the enforcement of indemnities against our controlling shareholders and, subject to the applicable requirements of the Hong Kong Stock Exchange, cause us to effect corporate transactions without the approval of our other Shareholders.

In the event that the interests of our controlling shareholders conflict with those of other Shareholders, our other Shareholders may be disadvantaged as a result.

Potential competition with China Everbright Group and its subsidiaries if we expand our business outside southwest region in China or the U.K., including but not limited to Hong Kong, Shanghai, Shenzhen, Dalian and Beijing

We have obtained an undertaking from one of our controlling shareholders, namely China Everbright Group, pursuant to which China Everbright Group undertakes that (i) China Everbright Group will not directly carry on any business which competes with our Group's principal business; and (ii) China Everbright Group will, through its internal control procedures, ensure that its existing or future subsidiaries will not directly carry on property investment, property leasing and property management business in southwest region of the PRC and the U.K. See "Relationship with Controlling Shareholders — Non-competition Arrangement and Undertakings" for details. Currently our principal business is located in Chengdu and Kunming, part of the southwest region in China and we intend to further expand our business in southwest region in China and overseas, primarily in the U.K.. However, we cannot assure you we would not expand our business into other regions or countries. Should we expand our business into the regions other than the southwest region in China or the U.K., we may not be protected by the undertakings made by China Everbright Group, and as such we may face competitions from other subsidiaries of China Everbright Group, especially in Hong Kong, Shanghai, Shenzhen, Dalian and Beijing where some of the subsidiaries of China Everbright Group currently conduct the similar business with ours, and the interest of China Everbright Group may conflict with ours or other Shareholders. As a result, the interest of other Shareholders may be disadvantaged and our business expansion plan and prospects of our business may be materially and adversely affected.

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The “Everbright” brand name may be harmed or damaged, which may materially and adversely affect our business, financial condition, results of operations and prospects

We market our properties and services primarily under the “Everbright” brand name. As a member of China Everbright Group, we have benefited from its reputation and established market leader position. We do not own the “Everbright” brand name and obtained the right to use this brand name under the relevant licensing agreement. See “Connected Transactions — Fully Exempt Continuing Connected Transaction — Hong Kong Trademark License Agreement” and “— PRC Trademark License Agreement” for details. We and many other subsidiaries of China Everbright Group share the common brand name “Everbright.” We cannot assure you that there will not be any negative news or media coverage related to any of these subsidiaries which may harm or damage the “Everbright” brand name and its reputation. We may not be able to protect the “Everbright” brand name as we are not in a position to control or influence the conduct of the other parties that share such brand names with us. We also rely on China Everbright Group to enforce our rights relating to the “Everbright” brand name against infringement. Any damage to the “Everbright” brand name and any failure to protect the “Everbright” brand name could harm our reputation and result in the loss of our competitive advantage and materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

We may be considered a “resident enterprise” under the CIT Law and income tax on the dividends that we receive from our PRC operating subsidiaries may increase

Our Company was incorporated in the BVI and transferred by way of continuation into the Cayman Islands. We conduct our business through operating subsidiaries in the PRC.

Under the CIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC are considered “resident enterprises” and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. On December 6, 2007, the State Council adopted the Regulation on the Implementation of CIT Law, effective as of January 1, 2008, which defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises.” Currently, our management is based in the PRC, and may continue to be based in the PRC in the future. A circular issued by the State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with a “de facto management body” located within PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within the PRC; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within the PRC. In addition, the State Administration of Taxation issued the Measures for the Administration of Income Tax for Chinese-controlled Resident Enterprises Registered Overseas (境外註冊中資控股居民企業所得稅管理辦法(試行)) on July 27, 2011 to provide more guidance on the implementation of the aforesaid circular. The above measures specifies that the SAT is entitled to decide whether a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a “resident enterprise” as a result of an application by such foreign enterprise or an investigation conducted by the relevant tax authorities.

If we were considered a PRC resident enterprise, we would be subject to enterprise income tax at the rate of 25% on our global income, and any dividend or gain on the sale of our Shares received by our non-resident enterprise shareholders may be subject to a withholding tax at a rate of up to 10%. In the case of non-resident individual shareholders, the tax may be withheld at a rate of 20%. In addition, although the CIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the CIT Law, our financial position and results of operations would be materially and adversely affected.

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We face litigation risks in the course of our business

In the ordinary course of business, claims involving tenants, agents, subcontractors or third parties may be brought against us and by us in connection with our contracts. Claims may be brought against us for breach of contract, safety of our properties or quality of our services. As of the Latest Practicable Date, we were involved as a plaintiff in one arbitration proceeding. See “Business — Legal Proceedings and Compliance — Legal Proceedings” for details. The claims may involve actual damages and contractually agreed upon liquidated sums. If we were found liable for any of these claims against us, we would have to incur a charge against earnings to the extent a reserve had not been established for the matter in our account, or to the extent the claims were not sufficiently covered by our insurance coverage. Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. The amounts ultimately realized from claims against us could differ materially from the balances included in our financial statements, resulting in charge against earnings to the extent profit has already been accrued on a project contract. Charges associated with claims brought against us and write down associated with claims brought by us could have a material adverse effect on our financial condition, results of operations and cash flow.

RISKS RELATING TO THE PRC

The PRC government has implemented property control measures in relation to the PRC property market

To discourage speculation in the PRC property market, the PRC government has implemented a variety of control measures. To date, the PRC government has placed emphasis on regulating investments in the residential property market. However, there can be no assurance that the PRC government will not extend such control measures to regulate the commercial property market. Although the various control measures are intended to promote more balanced property developments in the long term, these measures could adversely affect the demand for lease properties if extended to office or commercial property market. In addition, there is no assurance that the PRC government will not introduce additional measures from time to time to regulate the growth of the PRC property market. The extension of the existing measures and the introduction of any new measures may materially and adversely affect our business, financial condition, results of operations and prospects.

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

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- (a) structure;
- (b) level of government involvement;
- (c) level of development;
- (d) growth rate;
- (e) level and control of capital investment and reinvestment;
- (f) control of foreign exchange; and
- (g) allocation of resources.

RISK FACTORS

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

The PRC economy has been transitioning from a planned economy to a market oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC economy. The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by:

- (a) political instability or changes in social conditions in the PRC;
- (b) changes in laws, regulations or policies or the interpretation of laws, regulations or policies;
- (c) measures which may be introduced to control inflation or deflation;
- (d) changes in the rate or method of taxation; and
- (e) imposition of additional restrictions on currency conversion and remittances abroad.

Governmental control of currency conversion may limit our ability to use capital effectively

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Substantially all of the revenue received from our properties and services is denominated in RMB. Under the current structure, we rely on dividends from our PRC subsidiaries for income and distribution of dividends to our Shareholders. As such, we may need to convert Renminbi into Hong Kong dollars for distribution of dividends to our Shareholders or other currencies if we make any investment or acquisition of properties overseas. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Our ability to access credit and capital markets may be adversely affected by factors beyond our control

Interest rate increases by the PBOC, or market disruptions such as those experienced in the United States, European Union and other countries or regions, may increase our cost of borrowing or adversely affect our

RISK FACTORS

ability to access sources of liquidity upon which we have relied to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively with the net proceeds from the Global Offering, which may affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions

We plan to finance our equity controlled PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require approval from, registration or filings with PRC governmental authorities. In addition, on May 23, 2007, the MOFCOM and the SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (“No. 50 Notice”), as amended in October 2015. On April 28, 2013, SAFE issued the Notice of State Administration of Foreign Exchange on Promulgation of the Administrative Measures on Registration of Foreign Debt (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which was amended on May 4, 2015, April 26, 2016 and September 9, 2016. The notice stipulates the following principles: (i) foreign debt registrations shall not be processed for foreign-invested real estate enterprises that obtained approval certificates and registered with MOFCOM on or after June 1, 2007 (ii) foreign-invested real estate enterprises which were incorporated before June 1, 2007 shall still be entitled to incur foreign debts within the statutory limit, which equals the outstanding balance between total investment and registered capital prior to the capital increase, or the outstanding balance between total investment and registered capital of such enterprises upon and after the capital increase, whichever is less and (iii) foreign-invested real estate enterprises which have not obtained the land use right certificate or the project development capital of which has not reached 35% of the total project investment shall not incur foreign debt, and SAFE will not process the foreign debt registration and approval for foreign debt settlement of such real estate enterprises. We must register overseas shareholder loans to our PRC subsidiaries with the local branch of SAFE as a procedural matter, and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. The amounts of the capital contributions are subject to the approval of or filing with the Ministry of Commerce in China or its local counterpart. On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (“SAFE Circular No. 19”). SAFE Circular No. 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of the enterprises. On June 9, 2016, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Administrative Provisions on Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (“SAFE Circular No. 16”). SAFE Circular No. 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a domestic company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investments with the exception of bank financial principal protected products unless otherwise specifically provided. As a result, we are required to apply RMB funds converted from the net proceeds we expect to receive from the Global Offering within the business scope of the subsidiaries. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

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Fluctuation in the value of the Renminbi may have a material adverse effect on our business

We conduct almost all our business in Renminbi. However, following the Global Offering, we may also maintain a significant portion of the proceeds from the offering in Hong Kong dollars before we use them in our PRC operations. The value of the Renminbi against the U.S. dollar, Hong Kong dollar and other currencies may be affected by changes in the PRC's policies and international economic and political developments. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Effective May 21, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. On June 19, 2010, the PBOC announced that the PRC government will reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. The floating band was further enlarged to 1% on April 16, 2012 and 2% on March 17, 2014. Under the current policy, the RMB is pegged against a basket of currencies, as determined by the PBOC, against which it can rise or fall within stipulated ranges each day. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar from July, 2005 to August 2015. In August 2015, the PBOC authorized market-makers to provide central parity quotation to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of previous trading date, the supply and demand for foreign exchange, as well as changes in major international currency exchange rates. Shortly after the announcement, the central parity rate of the Renminbi against the U.S. dollar depreciated substantially. In November 2015, the International Monetary Fund approved to add Renminbi to its Special Drawing Rights basket, which will take effect in October 2016. This represented a major step in the internationalization of the Renminbi. With the development of foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to liberalize the exchange rate system. As a result, the exchange rate may become volatile, the Renminbi may be revalued further against the U.S. dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the U.S. dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars (which are pegged to the U.S. dollar), of our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar or the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars or Hong Kong dollars into Renminbi for such purposes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. As of the Latest Practicable Date, we had not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

Interpretation of PRC laws and regulations involves uncertainty

As our properties are located in the PRC, their operations are governed principally by laws and regulations in the PRC. The PRC legal system is based on written statutes and prior court decisions are not binding on the PRC courts. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive.

RISK FACTORS

The land and real estate laws of the PRC, including laws relating to land title and building ownership and laws applicable to landlords and tenants, are still under development and reform. In recent years, the National People's Congress, the State Council, the Ministry of Land and Resources and MOHURD have promulgated a number of laws and regulations and departmental rules relating to legal problems in respect of land and real estate. In addition, the local people's congresses and local governmental authorities in many provinces and cities have also promulgated various local regulations and rules. There may be uncertainties in the interpretation and application of these laws, regulations, departmental rules and local regulations and rules, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

The building standards applicable in the PRC may become more stringent and we may incur significant costs to ensure conformity with such amended standards

Our properties have passed the examination process and we have obtained completion certifications certifying that we can hand over them for occupation or use in accordance with the building standards that currently apply to our properties. However, applicable building standards may become more stringent in the future. There can be no assurance that our properties will continue to be in compliance with the latest building standards in the PRC. Compliance with the latest amended building standards may be required retrospectively, which could entail significant costs for us. In addition, if any of our properties do not meet the most recent requirements for building standards and materials, it may be less desirable than developments which have been built in accordance with the latest standards, which may affect our ability to sell or lease our properties and consequently may materially and adversely affect our business, financial condition, results of operations and prospects.

The PRC's political policies and foreign relations could affect the properties

Investment in properties in the PRC entails risks of a nature and degree not typically encountered in property investments in developed markets. In the PRC, there is a high risk of nationalization, expropriation, confiscation, punitive taxation, currency restriction, political changes, government regulation, political, economic or social instability or diplomatic developments which could adversely affect the value of investments made in the PRC, including our properties, and for which we may not be fairly compensated.

It may be difficult to effect service of process on our Directors or executive officers who reside in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts

A majority of our senior management members reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or even impossible.

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu, severe acute respiratory syndrome ("SARS") or Ebola, and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of floods, earthquakes, sandstorms, snowstorms, fires, droughts or

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epidemics. For instance, devastating earthquakes and their successive aftershocks hit Sichuan province in May 2008, April 2013 and August 2017, resulting in tremendous loss of life and injury, as well as the destruction of assets in the region. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

The liquidity and market price of our Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our Shares pursuant to the Global Offering

The price and trading volume of our Shares may be volatile as a result of the following factors, as well as others, which are discussed in this “Risk Factors” section or elsewhere in this prospectus, some of which are beyond our control:

- (a) actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- (b) news regarding recruitment or loss of key personnel by us or our competitors;
- (c) announcements of competitive developments, acquisitions or strategic alliances in our industry;
- (d) changes in earnings estimates or recommendations by financial analysts;
- (e) potential litigation or regulatory investigations;
- (f) changes in general economic conditions or other developments affecting us or our industry;
- (g) price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- (h) release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us, the controlling shareholder or other Shareholders.

In addition, the securities markets have, from time to time, experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our performance of prospects.

RISK FACTORS

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

Future issues of the Shares by our Company or the disposal of the Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of the Shares. Moreover, future sales or perceived sales of a substantial amount of our Shares or other securities relating to our Shares in the public market may cause a decrease in the market price of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings. The Shares held by the controlling shareholder are subject to certain lock-up undertakings for a period of up to six months after the Listing Date. See “Underwriting — Underwriting Commission and Expenses” for details. We cannot give any assurance that they will not dispose of their Shares they may own now or in the future.

Issue of new Shares under the Post-IPO Share Option Scheme, convertible bonds or any future equity fund raising exercise will have a dilution effect and may affect our profitability

We have conditionally adopted the Post-IPO Share Option Scheme but no option has been or will be granted thereunder prior to the Global Offering. Any exercise of the options to be granted under the Post-IPO Share Option Scheme in the future will result in a dilution in the shareholding of our Shareholders in our Company and may result in a dilution in the earnings per Share and net asset value per Share. Assuming no Over-allotment Option was exercised, the total issued share capital of our Company will be 441,400,000 shares. Assuming the options granted pursuant to the Post-IPO Share Option Scheme were fully exercised, the total issued share capital of our Company would be further enlarged by 44,140,000 newly issued shares, and for illustrative purpose, our Company’s earning per share for the year ended December 31, 2016 would be diluted from RMB0.071 per share to RMB0.065 per share. The fair value of the share options at the date on which they are granted with reference to the valuer’s valuation will be charged as share-based expense, which may adversely affect our Group’s results of operations.

The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be between one to five Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Investors should read the entire prospectus carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus

There may be coverage in the media regarding the Global Offering and our operations. There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should read the entire prospectus carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this prospectus and the Application Forms to make investment decisions about us.

RISK FACTORS

Forward-looking information may prove inaccurate

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects,” “going forward,” “intend” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Hong Kong Stock Exchange.

You may not have the same protection of your shareholder rights under Cayman Islands law as compared to what you would have under Hong Kong law

Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the Companies Law, and the common law of the Cayman Islands. The rights of shareholders to take action against our Directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong. In particular, the Cayman Islands have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

We may not declare dividends on our Shares in the future

We did not declare any dividend during the Track Record Period. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which would constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, waivers in respect of certain non-exempt continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See “Connected Transactions — Waivers In Respect of Non-exempt Continuing Connected Transactions” for details.

COMPANY SECRETARY

Mr. Lee Wai Kwong, our company secretary, does not possess the relevant qualification required under Rule 3.28 of the Listing Rules. We have appointed Ms. Ho Wing Tsz Wendy, who is a Hong Kong resident and a member of The Hong Kong Institute of Chartered Secretaries (which is a qualification stipulated in Note 1 to Rule 3.28 of the Listing Rules) to act as an assistant to Mr. Lee Wai Kwong and will continue to do so for a minimum period of three years after the Listing Date, to ensure that Mr. Lee Wai Kwong will be able to acquire the necessary experience to satisfy the requirements of Note 2 to Rule 3.28 of the Listing Rules. In this regard, we also have procedures in place to provide Mr. Lee Wai Kwong with appropriate training in order to enable him to acquire such necessary experience. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules, in appointing Mr. Lee Wai Kwong as our company secretary for a period of three years under the condition that Ms. Ho Wing Tsz Wendy is appointed as an assistant to Mr. Lee Wai Kwong as described above. Prior to the expiry of the three-year period, we will re-evaluate the qualifications of Mr. Lee Wai Kwong to determine whether the requirements under Rule 3.28 of the Listing Rules can be satisfied.

Prior to the end of the three-year period, we will liaise with the Hong Kong Stock Exchange. The Hong Kong Stock Exchange will revisit the situation and the expectation that we should be able to demonstrate to the Hong Kong Stock Exchange’s satisfaction that Mr. Lee Wai Kwong, having had the benefit of Ms. Ho Wing Tsz Wendy’s assistance for the last three years, will have acquired the relevant experience within the meaning of Rules 8.17 and 3.28 of the Listing Rules, so that a further waiver will not be necessary.

WAIVER AND CONFIRMATION IN RESPECT OF THE MINISTRY OF FINANCE, CIC AND HUIJIN

We have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 1.01 of the Listing Rules so that the Ministry of Finance, CIC and Huijin shall not be regarded as controlling shareholders of our Company under the Listing Rules, and as a result:

- (a) this prospectus does not have to disclose information regarding the interests of the Ministry of Finance, CIC and Huijin in a business, apart from our Company’s business, which competes or is likely to compete, either directly or indirectly, with our Company’s business in accordance with Rule 8.10 of the Listing Rules;
- (b) the Ministry of Finance, CIC and Huijin are not subject to the restrictions on disposal of Shares by controlling shareholders following the Listing in accordance with Rule 10.07 of the Listing Rules; and
- (c) the Ministry of Finance, CIC and Huijin are not subject to any other requirements that are generally applicable to controlling shareholders under the Listing Rules.

The above waiver has been granted on the basis that each of the Ministry of Finance, CIC and Huijin is a PRC Governmental Body within the definition under Rule 19A.04 of the Listing Rules, and that, pursuant to

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Rule 19A.14 of the Listing Rules, the Ministry of Finance, CIC and Huijin (as well as other PRC Governmental Bodies) would have been automatically excluded from the definition of controlling shareholder under Rule 1.01 of the Listing Rules had our Company been established in the PRC.

The Hong Kong Stock Exchange has further confirmed that since the Ministry of Finance, CIC and Huijin are considered as PRC Governmental Bodies for purposes of the Listing Rules, they are not regarded as connected persons of our Company under Rule 14A.10 of the Listing Rules.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFERING ONLY

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in “Structure and Conditions of the Global Offering” in this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of certain Chinese names of the entities (including certain subsidiaries), departments, facilities, certificates, titles, laws, regulations and the like are unofficial translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi into Hong Kong dollars. You should not construe these translations as representations that the Renminbi amounts could actually be, or have been, converted into Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into Hong Kong dollars have been made at the rate of RMB0.84559 to HK\$1.00 (being the prevailing exchange rate on December 19, 2017 set by the PBOC).

INFORMATION ABOUT THE GLOBAL OFFERING

Issuer	Everbright Grand China Assets Limited
Global Offering	Global Offering of initially 110,400,000 Offer Shares (subject to adjustment and excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option) comprising (i) Hong Kong Public Offering of initially 11,040,000 Offer Shares (subject to adjustment) and (ii) International Placing of initially 99,360,000 Offer Shares (subject to adjustment and excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option).
Maximum Offer Price	HK\$1.49 per Offer Share
Over-allotment Option	Up to 16,560,000 additional Shares to be offered by our Company.
Lock-up undertakings by our controlling shareholders	See “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules — Undertakings by our controlling shareholders” for details.
Board lot	2,000 Shares
Dividend policy	We do not intend to determine any expected dividend payout ratio at this time, but will consider declaring dividends and/or adopting a fixed dividend policy that is consistent with our business profile in the future. There is no assurance that in any given year a dividend will be proposed or declared. See “Financial Information — Dividend and Distributive Reserves” for details.
Voting rights	Each Share entitles its holder to one vote at our Shareholders’ meeting. See “Appendix IV — Summary of the Constitution of our Company and Cayman Islands Companies Law” for details.
Stamp duty	Dealings in the Shares registered in our Hong Kong Branch Share Registrar will be subject to Hong Kong stamp duty. The current ad

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Register of members

Our Company's principal register of members will be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands. All of the Shares issued pursuant to the Global Offering will be registered on our Company's register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Application for the Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, the Shares to be issued by us pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the exercise of options which may be granted under the Post-IPO Share Option Scheme.

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, January 16, 2018. Except as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Hong Kong Stock Exchange or any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Branch Share Registrar in order to enable them to be traded on the Hong Kong Stock Exchange.

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

Restrictions on offers and sales 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 the Shares to, confirm that he or she is aware of the restrictions on offers and sales of the Shares described in this prospectus and the relevant Application Forms.

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. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

Fully underwritten

The listing of the Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares.

For further information regarding the Underwriters and the underwriting arrangements, see “Underwriting”.

Price Determination Date

On or around Monday, January 8, 2018, and in any event, no later than Friday, January 12, 2018.

If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Friday, January 12, 2018, or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will not proceed and will lapse.

Admission to CCASS

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

Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

**Procedures on the application for
Hong Kong Offer Shares**

See “How to Apply for the Hong Kong Offer Shares” for details.

Conditions of the Global Offering

See “Structure and Conditions of the Global Offering — Conditions of the Global Offering” for details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Liu Jia	Flat 1709, 17/F, Block D, Kornhill, 17 Hong Shing Street, Hong Kong	Chinese
Mr. Lin Zimin	Flat D, 22/F, Hang Shun Mansion, 76 Jaffe Road, Wan Chai, Hong Kong	Chinese
Non-executive Directors		
Ms. Tse Hang Mui	Flat 102, 1/F, Block B, Westland Gardens, 4 Westland Road, Quarry Bay, Hong Kong	Chinese
Mr. Li Yinzhong	Flat B, 20/F, Hang Shun Mansion, 76 Jaffe Road, Wanchai, Hong Kong	Chinese
Independent non-executive Directors		
Mr. Tsoi David	2/F, 10 Mount Butler Road, Jardine's Lookout, Hong Kong	Chinese
Mr. Shek Lai Him Abraham	Flat B, 1/F, Garwin Court, 135A Wong Nai Chung Road, Happy Valley, Hong Kong	Chinese
Mr. Lee Jor Hung	Flat 1, 18/F, Block B, San Francisco Tower, 29 Ventris Road, Happy Valley, Hong Kong	Chinese
Ms. Yu Pauline Wah Ling	Flat B, 10/F, Flourish Court, 30 Conduit Road, Hong Kong	Chinese

For further details of our Directors and the senior management of our Company, see "Directors and Senior Management".

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

China Everbright Capital Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators

China Everbright Securities (HK) Limited

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Joint Bookrunners

China Everbright Securities (HK) Limited

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CLC Securities Limited

13/F, Nan Fung Tower
88 Connaught Road Central
Central
Hong Kong

Joint Lead Managers

China Everbright Securities (HK) Limited

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

ABCI Securities Company Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CLC Securities Limited

13/F, Nan Fung Tower
88 Connaught Road Central
Central
Hong Kong

Legal Advisors to our Company

As to Hong Kong law:

Baker & McKenzie

14th Floor, Hutchison House
10 Harcourt Road, Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law:

Tian Yuan Law Firm

10/F, China Pacific Insurance Plaza, 28 Fengsheng Lane
Xicheng District
Beijing 100032
The PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP

53rd Floor, The Center
99 Queen's Road Central
Hong Kong

Legal Advisors to the Joint Sponsors and the Underwriters

As to Hong Kong law:

Mayer Brown JSM

16th - 19th Floors, Prince's Building
10 Chater Road, Central
Hong Kong

As to PRC law:

Global Law Office

Units B/C, 26F, Tower 5 Dachong
International Center, No. 39 Tonggu Road
Nanshan District
Shenzhen
The PRC

Reporting Accountants

KPMG

(Certified Public Accountants)
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Independent Property Valuer

Landscape Christie's International Real Estate

Units 601-4, 6/F., Sino Plaza
255-257 Gloucester Road
Causeway Bay
Hong Kong

Industry Consultant and the Second Property Valuer

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

6/F, Three Pacific Place
1 Queen's Road East
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited

1 Garden Road
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Compliance Advisor

Oriental Patron Asia Limited

27/F, Two Exchange Square

8 Connaught Place

Central

Hong Kong

CORPORATE INFORMATION

Registered office	Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman KY1-1104, Cayman Islands
Corporate Headquarters and Principal Place of Business in Hong Kong	Room 1501, 15 th Floor Malaysia Building 50 Gloucester Road, Wan Chai Hong Kong
Company's website	www.ebgca.com.hk (information contained in this website does not form part of this prospectus)
Joint Company Secretaries	Ms. Ho Wing Tsz Wendy <i>(Fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom)</i> Level 54, Hopewell Centre 183 Queen's Road East Hong Kong Mr. Lee Wai Kwong Flat E, 8/F Tak Man Building, Whampoa Estate 29 Tak Man Street, Hung Hom Kowloon, Hong Kong
Authorized Representatives	Mr. Liu Jia and Mr. Lee Wai Kwong
Audit Committee	Mr. Tsoi David (<i>chairman</i>) Mr. Shek Lai Him Abraham Mr. Li Yinzhong
Remuneration Committee	Mr. Lee Jor Hung (<i>chairman</i>) Ms. Yu Pauline Wah Ling Mr. Liu Jia
Nomination Committee	Mr. Shek Lai Him Abraham (<i>chairman</i>) Mr. Lee Jor Hung Mr. Lin Zimin
Principal Bankers	<i>Principal Bankers in Chengdu, Sichuan, the PRC</i> Bank of Communications Sichuan Branch No. 211 West Xiyulong Street Chengdu, Sichuan The PRC China Bohai Bank Chengdu Branch Sales Department No. 9 Wenwu Road Chengdu, Sichuan The PRC

CORPORATE INFORMATION

Bank of China Chengdu Development West Zone Branch
No. 7, Qingyang Avenue
Chengdu, Sichuan
The PRC

Principal Banker in Hong Kong

China Everbright Bank Hong Kong Branch
30th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

**Cayman Islands Principal Share
Registrar**

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

**Hong Kong Branch Share Registrar and
Transfer Office**

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INDUSTRY OVERVIEW

Certain information and statistics in this section and elsewhere in the prospectus relating to the real-estate industry and the overall PRC and the U.K. economy are derived from various official and independent third party sources and have been prepared on the basis of information made public by governmental entities and inter-governmental organizations and the commissioned research report from JLL. The information presented in this section and elsewhere in the prospectus from these and other sources represents the most recent information that is currently available from those sources. We believe that the sources of the information in this section and elsewhere in this prospectus are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, their respective directors, employees, agents, representatives, affiliates and advisors and all other parties involved in the Global Offering have not independently verified, and make no representation as to, the accuracy of the information from official or other third party sources. Accordingly, the official and other third party sources contained or referred to herein may not be accurate and should not be unduly relied on.

INTRODUCTION

In connection with the Global Offering, we have commissioned JLL, an Independent Third Party, for use in this prospectus to prepare the JLL Report with necessary information on the real estate markets in the PRC and the cities in which we operate. JLL has charged us a total fee of approximately HK\$338,000 for the preparation of the JLL Report, which we believe is in line with the market rate for similar reports.

JLL is an international professional services and investment management firm offering specialized real estate services to clients seeking increased value by owning, occupying and investing in real estate. JLL has more than 280 corporate offices, operates in more than 80 countries and has a global workforce of more than 60,000.

This section was prepared primarily by the designated market research team based on the followings and considered that the information and statistics are reliable:

- (a) data from various government publications;
- (b) site visits and interviews;
- (c) recognized research institutions, China Index Academy; and
- (d) proprietary database of JLL.

The following sets out the main reasons for JLL to adopt the above sources of information and considered them as reliable:

- (a) It is a general market practice to adopt official data and announcements from various PRC government agencies; and
- (b) JLL understands the data collection methodology and data source of its proprietary database and the subscribed database from China Real Estate Information System (“CREIS”) of China Index Academy.

INDUSTRY OVERVIEW

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

- (a) all documents provided by our Company are true and correct;
- (b) all published data by the relevant government authorities are true and correct;
- (c) JLL makes no warranty or representation that these forecasts will be achieved. The real estate market is constantly fluctuating and changing. JLL will not take any responsibility to predict or in any warrant the future conditions of real estate market; and
- (d) where subscribed data is obtained from recognized research and public institutions, JLL will rely upon the apparent integrity and expertise of such institutions.

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 JLL Report or the date of the relevant data contained in the JLL Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE PRC ECONOMY

As the world's second largest economy, China experienced rapid economic and social development in the early 2000s whilst in recent years, its economic growth has slowed down, shifting to a more consumption-driven and service-driven model. Since the Go West Policy became one of China's most important national strategies in 2000 with an overall objective of improving the income and living standards of people in western China (including Chongqing and the province or autonomous regions of Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Xinjiang, Tibet, Inner Mongolia, Guangxi and Qinghai) and narrowing the gap between the eastern and western regions of China through the acceleration of development in China's central and western regions, western China has experienced its greatest period of rapid economic development, high-quality growth, improvement in overall competitiveness, transformation of urban and rural environment and rising living standards since founding of the People's Republic of China.

The nominal GDP of the PRC increased from RMB54,036.7 billion in 2012 to RMB74,412.7 billion in 2016, at a CAGR of 8.3%. The average real GDP growth rate was 7.3% over these five years. The nominal GDP per capita in the PRC increased from RMB39,544 in 2012 to RMB53,980 in 2016, representing a CAGR of 8.1%. In line with the growth of the PRC's economy, the per capita disposable income of urban households increased continuously from RMB24,565 in 2012 to RMB33,616 in 2016 at a CAGR of 8.2%, indicating an increase of local purchasing power. The fixed asset investment reached RMB59,650.1 billion in 2016, recorded a CAGR of 12.3% in the past five years. The Consumer Price Index (CPI) showed an average annual increase of 2.1% during 2012 to 2016.

Between 2012 and 2016, the population in the PRC grew at a CAGR of 0.5% whilst the urbanization rate accelerated to about 57.4% in 2016. According to the "National New Urbanization Plan (2014-2020)" (《國家新型城鎮化規劃(2014-2020年)》) promulgated by the State Council, the level of the PRC's urbanization is expected to increase steadily, reaching 60% by 2020.

INDUSTRY OVERVIEW

Key economic indicators of the PRC (2012-2016)

	2012	2013	2014	2015	2016	2012-2016 CAGR
Population (million)	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7	0.5%
Urbanization (%)	52.6	53.7	54.8	56.1	57.4	54.9%*
Nominal GDP (RMB billion)	54,036.7	59,524.4	64,397.4	68,905.2	74,412.7	8.3%
Nominal GDP per capita (RMB)	39,544	43,320	46,629	49,351	53,980	8.1%
Real GDP growth rate (%)	7.9	7.8	7.3	6.9	6.7	7.3%*
Per Capita Disposable Income of Urban Households (RMB)	24,565	26,955	29,381	31,195	33,616	8.2%
Retail Sales of Consumer Goods (RMB billion)	21,443.3	24,284.3	27,189.6	30,093.1	33,231.6	11.6%
Fixed asset investment (RMB billion)	37,469.5	44,629.4	51,202.1	56,200.0	59,650.1	12.3%
Consumer Price Index ⁽¹⁾	102.6	102.6	102.0	101.4	102.0	102.1*

Source: National Bureau of Statistics of the PRC (中華人民共和國國家統計局)

Note: ⁽¹⁾ preceding year = 100

* arithmetic mean for the period between 2012 and 2016

According to the 13th Five-Year Plan, the PRC government sets the country's targets of socio-economic development for the five years between 2016 and 2020. The main goals include maintaining a mid-high economic growth, fostering innovation and technological development and enhancing living standards and quality with a strong emphasis on a balanced and sustainable socio-economic development.

OVERVIEW OF COMMERCIAL REAL ESTATE MARKET IN THE PRC

The real estate investment in the PRC increased from RMB7,180.4 billion in 2012 to RMB10,258.1 billion in 2016, at a CAGR of 9.3%. For office property, the GFA commenced to be constructed and sold, respectively increased at a CAGR of 1.7% and 14.1% between 2012 and 2016. The average price of office property rose slightly from RMB12,306 per sq.m. in 2012 to RMB12,914 per sq.m. in 2015, at a CAGR of 1.6%. For retail property, the GFA commenced to be constructed and sold, respectively increased at a CAGR of 0.4% and 8.6% respectively between 2012 and 2016. The average price of retail property rose from RMB9,021 per sq.m. in 2012 to RMB9,566 per sq.m. in 2015, at a CAGR of 2.0%.

Key commercial real estate market indicators of the PRC (2012-2016)

	2012	2013	2014	2015	2016	2012-2016 CAGR
Real estate investment (RMB billion)	7,180.4	8,601.3	9,503.6	9,597.9	10,258.1	9.3%
GFA of office property commenced to be constructed (million sq.m.)	59.9	68.9	73.5	65.7	64.2	1.7%
GFA of office property sold (million sq.m.)	22.5	28.8	25.1	29.1	38.3	14.1%
Average price of office property (RMB per sq.m.)	12,306	12,997	11,826	12,914	NA	1.6%#
GFA of retail property commenced to be constructed (million sq.m.)	220.1	259.0	250.5	225.3	223.2	0.4%
GFA of retail property sold (million sq.m.)	77.6	84.7	90.8	92.6	108.1	8.6%
Average price of retail property (RMB per sq.m.) ..	9,021	9,777	9,817	9,566	NA	2.0%#

INDUSTRY OVERVIEW

Source: National Bureau of Statistics of the PRC

#CAGR for the period between 2012 and 2015

HISTORICAL PRICE TRENDS OF LAND, LABOR COSTS AND RAW MATERIALS

Land, construction materials and labor are the crucial inputs of real estate development. The land acquisition cost of commercial properties in 2-tier cities increased from RMB2,662.4 per sq.m. in 2012 to RMB3,426.1 per sq.m. in 2016, at a CAGR of 6.5%. Taking the variations of plot ratio of different land parcels into account, the acquisition cost of commercial properties per GFA in 2-tier cities increased at a CAGR of 10.4%, from RMB1,161.0 per sq.m. in 2012 to RMB1,721.7 per sq.m. in 2016.

Average acquisition costs of land and GFA of commercial properties in PRC's 2-tier cities (2012-2016)

	2012	2013	2014	2015	2016	2012-2016 CAGR
Average land acquisition cost of commercial properties (RMB per sq.m.).....	2,662.4	3,231.8	3,361.6	2,815.0	3,426.1	6.5%
Average acquisition cost of commercial properties per GFA (RMB per sq.m.)	1,161.0	1,290.4	1,500.3	1,322.1	1,721.7	10.4%

Source: China Real Estate Index System

The price of labor cost rose, in spite of its annual growth rate slowing down from 9.7% in 2012 to 3.5% in 2016. The price of major construction materials, including steel and cement, had a downward pressure owing to the massive supply and moderate demand.

OVERVIEW OF SICHUAN PROVINCE

Sichuan is a province located at the upper reaches of the Yangtze River in southwest China. It spans approximately a total administrative area of 486,000 sq.km., consisting of 14 county-level cities, 49 districts and 4 autonomous counties. Being rich in natural resources, Sichuan has long been one of the major agricultural production bases in China. Apart from being one of the most industrialized provinces in west China, Sichuan's high-tech industry, with two state-level hi-tech industries development zones, has been developing rapidly that speeds up the modernization and upgrade of manufacturing industry. The increasing presence of internationally renowned corporations in Sichuan further strengthens the province as the key and growingly important economic driver to China Western Development.

The nominal GDP of Sichuan increased to RMB3,268.1 billion in 2016, representing a CAGR of 8.2% from 2012. The average real GDP growth rate was 9.3% over the past five years. The nominal GDP per capital and per capita disposable income of urban households respectively increased at a CAGR of 8.2% and 8.8%. The fixed asset investment revealed a double-digit CAGR of 12.7%, increasing from RMB1,803.9 billion in 2012 to RMB2,912.6 billion in 2016.

INDUSTRY OVERVIEW

Key economic indicators of Sichuan Province (2012-2016)

	2012	2013	2014	2015	2016	2012-2016 CAGR
Population (million)	80.8	81.1	81.4	82.0	82.6	0.6%
Urbanization (%)	43.5	44.9	46.3	47.7	49.2	46.3%*
Nominal GDP (RMB billion)	2,387.3	2,639.2	2,853.7	3,005.3	3,268.1	8.2%
Nominal GDP per capita (RMB)	29,608	32,617	35,128	36,836	39,695	7.6%
Real GDP growth rate (%)	12.6	10.0	8.5	7.9	7.7	9.3%*
Per Capita Disposable Income of Urban Households (RMB)	20,188	22,228	24,234	26,205	28,335	8.8%
Retail Sales of Consumer Goods (RMB billion)	962.2	1,100.1	1,239.3	1,387.8	1,550.2	12.7%
Fixed asset investment (RMB billion)	1,803.9	2,104.9	2,357.7	2,597.4	2,912.6	12.7%
Consumer Price Index ⁽¹⁾	102.5	102.8	101.6	101.5	101.9	102.1*

Source: Sichuan Provincial Bureau of Statistics (四川省統計局)

Note: ⁽¹⁾ preceding year = 100

* arithmetic mean for the period between 2012 and 2016

OVERVIEW OF CHENGDU'S ECONOMY

Chengdu is the capital and largest city of Sichuan province, with a population about 15.9 million and urbanization rate of 70.6% in 2016. The city covers a total administrative area of about 12,119 sq.km., consisting of 9 districts, 6 counties and 4 county-level cities. Chengdu is one of the most important economic, financial, commercial, cultural, transportation and communication centers in west China. Chengdu's main industries include machinery, automobile, medicine, food, and information technology. More than one-fourth of the world's 500 largest companies have established subsidiaries and branch offices in Chengdu.

The nominal GDP of Chengdu increased to RMB1,217.0 billion in 2016 at a CAGR of 10.6% between 2012 and 2016. The average real GDP growth rate of Chengdu was 9.5% over these five years. The nominal GDP per capita and the per capita disposable income of urban households increased continuously at a CAGR of 8.3% and 7.2% respectively. Starting from the first half of the year of 2015, Chengdu has been ranked as the first among all sub-provincial cities in China in the volume of fixed assets investment.

Key economic indicators of Chengdu (2012-2016)

	2012	2013	2014	2015	2016	2012-2016 CAGR
Population (million)	14.2	14.3	14.4	14.7	15.9	2.9%
Urbanization (%)	68.4	69.4	70.4	71.5	70.6	70.1%*
Nominal GDP (RMB billion)	813.9	910.9	1,005.7	1,080.1	1,217.0	10.6%
Nominal GDP per capita (RMB)	69,664	77,150	83,849	88,578	NA	8.3%#
Real GDP Growth Rate (%)	13.0	10.2	8.9	7.9	7.7	9.5%*
Per Capita Disposable Income of Urban Households (RMB)	27,194	29,968	32,665	33,476	35,902	7.2%
Retail Sales of Consumer Goods (RMB billion)	331.8	375.3	446.9	494.6	564.7	14.2%
Fixed asset investment (RMB billion)	589.0	650.1	662.0	700.7	837.1	9.2%
Consumer Price Index ⁽¹⁾	103.0	103.1	101.3	101.1	102.2	102.1*

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Source: Chengdu Bureau of Statistics (成都市統計局)

Note: ⁽¹⁾ preceding year = 100

CAGR for the period between 2012 and 2015

* arithmetic mean for the period between 2012 and 2016

OVERVIEW OF OFFICE AND RETAIL PROPERTY MARKETS IN CHENGDU

The real estate investment in Chengdu increased from RMB189.0 billion in 2012 to RMB263.9 billion in 2016, at a CAGR of 8.7%. The GFA of office property under construction increased at a CAGR of 14.8% whilst GFA of office property completed and sold decreased at a CAGR of -9.5% and -14.0% respectively between 2012 and 2015, which could imply a construction lag. With more newly built office properties coming into the market, there was a sign of price adjustment revealed by a CAGR of -5.8%, decreasing from RMB9,208 per sq.m. in 2012 to RMB7,703 per sq.m. in 2015.

Key indicators of office property market in Chengdu (2012-2016)

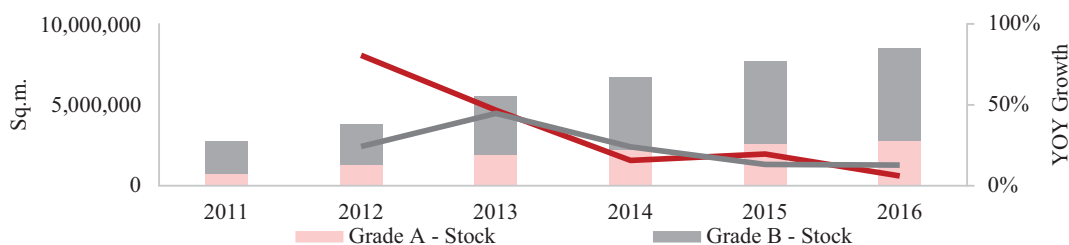
	2012	2013	2014	2015	2016	2012-2016 CAGR
GFA of office property under construction (million sq.m.)	7.6	7.9	10.5	11.6	NA	14.8%#
GFA of office property completed (million sq.m.)	1.1	0.9	1.2	0.8	NA	-9.5%#
GFA of office property sold (million sq.m.)	1.5	1.1	1.2	0.9	NA	-14.0%#
Average price of office property (RMB per sq.m.)	9,208	10,095	7,894	7,703	NA	-5.8%#

Source: China Real Estate Index System

#CAGR for the period between 2012 and 2015

In the six main business districts (including North City, West City, Renmin South Road, the City Center, East City, and New South districts) in Chengdu, the total stock of office property increased from about 3.8 million sq.m. in 2012 to 8.5 million sq.m. in 2016, at a CAGR of 22.3%. The year over year (“YOY”) growth of both Grade A and Grade B office stock slowed down to about 6.0% and 12.7% respectively in 2016.

Stock of Office Property in Chengdu’s Main Business Districts (2012-2016)



Source: JLL

With particularly more new completions of office property in 2012 and 2013, the vacancy rate went high in these two years, reaching 28-43% for Grade B office, the category to which our Group’s Everbright Financial

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Center belongs, which was lower than 41-42% for Grade A office. With the slowing down growth of new completions, the vacancy rate stabilized at 28% for Grade B office in 2016, which was lower than 33% for Grade A office. Because more newly-built office properties coming into the market, there was an imbalanced supply and demand.

On the perspective of rental income, the monthly rent of Grade B office was suppressed and declined from RMB75.7 per sq.m. in 2012 to RMB58.3 per sq.m. in 2016 at CAGR of -6.3%. Nevertheless, in response to the stepwise increase in occupancy rate for Grade B offices in the New south area, the rental income was started to be adjusted upwards and Grade B office showed a positive sign of recovery with a YOY rental growth of 1.2% in 2016, attributed to an increasing demand for Grade B offices, especially in the prime districts.

Despite the decreasing trend in the average price of office property in Chengdu from 2012 to 2015, the drop in average price has been narrowed to 2.42% from 2014 to 2015. Making reference to the improving market factors including the increase in market rental income as well as the drop in vacancy rate, indirect evidence showed the downward trend might further stabilize deduce from our own research in year 2016.

A majority, about 77-84%, of the stock of Grade B offices in Chengdu, were found in the City Center and New South Area throughout the year between 2012 and 2016, and the rest were scattered in South Renmin Road, City East, City West and City North. The average vacancy rate of Grade B offices in City Center increased from 16.2% in 2012 to 34.1% in 2015, but decreased to 29.1% in 2016, owing to the higher net absorption.

The City Center, in the first ring of the city, is the traditional central business district (CBD) that is highly accessible and well-served by transportation facilities. The prime office properties in the district attract quality tenants from the finance, trading, insurance and real estate sectors who can afford high monthly rental, with relatively stable monthly rent at about RMB73-77 per sq.m. throughout the year between 2012 and 2016. The provision of property management services is supplementary but important to preserve and upgrade the property value with good maintenance, particularly to those already built for years. In view of the land shortage in the city's most supreme business district, the government is developing another CBD in the New South Area, extending towards the second and third rings of the city, to supply more office spaces at a considerably lower rental level that attracts start-up companies and local firms. With the continuous large annual supply of Grade B office property in the New South Area, the monthly rent decreased from RMB67.7 per sq.m. in 2012 and stayed at a lower level of about RMB53 per sq.m. in 2016 and this contributed to the overall decreasing trend of property market for Grade B offices in Chengdu. To sum up, the increasing supply and the policy factor of establishing a second CBD have led to the drop of price and rent of offices in the last five years. In the City Center, the price and rental level of Grade B offices are expected to be largely stabilized at the current level in the next five years due to the improved vacancy rate, locational advantage as the first and traditional CBD, and increasing demand for office spaces from technology and innovation start-ups and companies. Still, in the face of keen competition from New South Area, the downward pressure in the City Center will remain.

According to JLL, commercial properties are mainly classified into Grade A office, Grade B office and prime retail respectively. Office buildings in Chengdu with certain criteria such as modern design with good quality finishes, gross floor area of office not less than 20,000 sq.m., flexible layout etc. will be classified as Grade B offices. Our Group's Everbright International Mansion is a commercial complex with mix of office and retail elements which is not within any category as defined by JLL. Due to the nature and specification of commercial complex, there is no relevant industry data available for this type of property and reference can only be made to both office and retail market data in Chengdu.

Similar to office property, the key retail districts are also concentrated in the City Center, mainly clustering in Chunxi Road (春熙路), Luomashi (驛馬市), and Yanshikou (鹽市口). With a growing local purchasing power reflected by the per capita disposable income and retail sales of consumer goods, more luxury brands have set up branches in the city. The GFA of retail property completed reached 2.0 million sq.m. in 2015 from 1.5 million sq.m. in 2012, increasing at a CAGR of 11.3%, whose rate was slightly faster than that of GFA of retail

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properties sold at 10.4%. The abundant supply balanced out the strong demand, and the average price of retail property decreased at a CAGR of -7.3% between 2012 and 2015. With more newer and modern shopping malls being established, the adverse impact on traditional department stores are considerably large with a growing pressure of being replaced gradually. For general shops serving local neighborhoods and community, the retail performance has comparatively been stable owing to the solid local demand and strong purchasing power. In 2016, the average monthly rent of this type of shops was about RMB45-100 per sq.m. In the next five years, despite more prime shopping malls will be built, there has been no strong sign showing that rental of local shops serving neighborhoods and community will face direct competition. With the growing local purchasing power and expanding economy, it is expected that the rental level of these general retail shops will remain stable given that they are properly managed.

Key indicators of retail property market in Chengdu (2012-2016)

	2012	2013	2014	2015	2016	2012-2016 CAGR
GFA of retail property under construction (million sq.m.).....	14.7	17.8	22.1	24.5	NA	18.5%#
GFA of retail property completed (million sq.m.)	1.5	1.5	2.3	2.0	NA	11.3%#
GFA of retail property sold (million sq.m.).....	1.7	1.7	2.1	2.3	NA	10.4%#
Average price of retail property (RMB per sq.m.)	16,284	14,781	14,400	12,959	NA	-7.3%#

Source: China Real Estate Index System

#CAGR for the period between 2012 and 2015

OVERVIEW OF PROPERTY MANAGEMENT MARKET IN CHENGDU

In 2016, there were about 18.5 billion sq.m. floor area being served by property management services in the PRC, out of which about 29.4% were managed by the top 100 property management companies, ranked by China Index Academy and benchmarked based on five factors, including the scale of management, operational efficiency, service quality, development potential and social responsibility. The rest of 70.6% floor area were managed by enormous number of service providers. The landscape for property leasing and management companies is highly fragmented, owing to the economic growth in the PRC over the past decades, the growing number of properties and developments in the PRC, the increasing wealth and demand of the local residents and the growing number of investors in the PRC.

Similarly, the property management industry in Chengdu is highly fragmented whilst the market size is expanding. According to China Property Management Institute, there were about 2,789 property management companies serving around 0.46 billion sq.m. floor area in Chengdu in 2014. With more newly-completed offices and a growing demand for property management services, it recorded a growth of 20.1% revenue of property management companies in Chengdu in 2017Q1 compared to that in 2016Q1.

There are a number of international and local property management firms providing diverse property management services to offices in Chengdu. Major international companies include CBRE Group, Colliers International, Cushman & Wakefield, and Jones Lang LaSalle, which focus on Grade A office and prime retail markets. Various local property management companies, such as Sichuan Justbon Asset Management Group (四川嘉寶資產管理集團股份有限公司), Sichuan Minxing Property Management (四川民興物業管理有限公司), Chengdu Renhe Chuntian Property Management Company (成都仁和春天物業管理有限公司), Chengdu Chengyue Times Property Service (成都誠悅時代物業服務有限公司), and Chengdu Jinfang Property Services Group (成都金房物業集團有限責任公司), provide quality property management services targeting at Grade B office and general retail markets in Chengdu, which are comparable to our Company providing property management services to Everbright Financial Center and Everbright International Mansion.

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The property management companies in Chengdu offer a broad spectrum of services, generally including building management, facility and operation maintenance, security, fire prevention, environment and energy management, and technical services, etc. Some international companies also provide other value-added and integrated services, such as reducing operating costs, optimizing operational risk, and managing capital expenditure. The service fee for commercial property varies, largely ranging from RMB2.8 to RMB28 per sq.m. per month, depending on the scope of services, area size, as well as scale and efficiency of operation. The prospect of property management market, in terms of both the market size and revenue, in Chengdu is expected to be positive in the next five years in view of the expansion of office and retail markets and the growing demand for value-added and upgraded services for value preservation and asset enhancement.

OVERVIEW OF YUNNAN PROVINCE

Yunnan is a province located in the far southwest China and shares borders with other southeast countries including Vietnam, Laos and Myanmar. It has a total area of about 394,100 sq.km. and comprises 14 county-level cities, 13 districts and 29 autonomous counties. Agriculture, tobacco, mining, hydro-electric power and tourism are the five pillars of industry in Yunnan.

The nominal GDP of Yunnan Province increased to RMB1,487.0 billion in 2016, revealing a CAGR of 9.6% from 2012. The average real GDP growth rate was 10.1% in the past five years. The nominal GDP per capita rose at a CAGR of 8.9%, from RMB22,195 in 2012 to RMB31,265 in 2016. The noticeable growth of fixed asset investment at a CAGR of 20.0% reflected its considerably enormous resources dedicated to the improvement of infrastructure, mainly transportation, telecommunications, and electricity transmission.

Key economic indicators of Yunnan Province (2012-2016)

	2012	2013	2014	2015	2016	2012-2016 CAGR
Population (million)	46.6	46.9	47.1	47.4	47.7	0.6%
Urbanization (%)	39.3	40.5	41.7	43.3	45.0	42.0*
Nominal GDP (RMB billion)	1,030.9	1,183.2	1,281.5	1,361.9	1,487.0	9.6%
Real GDP growth rate (%)	13.0	12.1	8.1	8.7	8.7	10.1*
Nominal GDP per capita (RMB)	22,195	25,322	27,264	29,015	31,265	8.9%
Per Capita Disposable Income of Urban Households (RMB)	21,075	23,236	24,299	26,373	28,611	7.9%
Fixed asset investment (RMB billion)	755.4	962.2	1,107.4	1,306.9	1,566.2	20.0%
Consumer Price Index ⁽¹⁾	102.7	103.1	102.4	101.9	101.5	102.3*

Source: Yunnan Bureau of Statistics (雲南省統計局)

Note: ⁽¹⁾ preceding year = 100

* arithmetic mean for the period between 2012 and 2016

OVERVIEW OF KUNMING'S ECONOMY

Kunming, covering a total land area of about 21,012.54 sq.km., is the capital and largest city in the east-central part of Yunnan province. It not only serves as a political, economic and cultural center, but is also designated as one of the regional transportation hubs in China. The major economic activities in Kunming include tourism, tobacco, metallurgy, mechanical, electronic integration and pharmaceuticals. There were 6.7 million population in Kunming in 2016, increased at a CAGR of 0.8% from 6.5 million in 2012. The urbanization rate grew stably and reached 71.1% in 2016.

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The nominal GDP of Kunming increased from RMB301.1 billion in 2012 to RMB430.0 billion in 2016, at a CAGR of 9.3%. The average real GDP growth rate was 10.3% in the past five years. The nominal GDP per capita and per capita disposable income of urban households respectively rose at a CAGR of 8.4% and 9.8% between 2012 and 2016. For fixed asset investment, it increased at a CAGR of 13.7%, from RMB234.6 billion in 2012 to RMB392.0 billion in 2016.

Key economic indicators of Kunming (2012-2016)

	2012	2013	2014	2015	2016	2012-2016 CAGR
Population (million)	6.5	6.6	6.6	6.7	6.7	0.8%
Urbanization (%)	67.1	68.1	69.1	70.1	71.1	69.1%*
Nominal GDP (RMB billion)	301.1	341.5	371.3	396.8	430.0	9.3%*
Real GDP growth rate (%).....	14.1	12.8	8.1	8.0	8.5	10.3%
Nominal GDP per capita (RMB).....	46,255	52,093	56,236	59,656	63,918	8.4%
Per Capita Disposable Income of Urban Households (RMB)	25,240	28,354	31,295	33,955	36,739	9.8%
Fixed asset investment (RMB billion)	234.6	293.2	313.8	349.8	392.0	13.7%
Consumer Price Index ⁽¹⁾	103.1	103.9	103.1	102.4	101.7	102.8*

Source: Kunming Statistical Bureau (昆明市統計局)

Note: ⁽¹⁾ preceding year = 100

*arithmetic mean for the period between 2012 and 2016

OVERVIEW OF OFFICE MARKET IN KUNMING

The real estate investment in Kunming increased from RMB91.91 billion in 2012 to RMB153.1 billion in 2016 at a CAGR of 13.6%. The growth rates of GFA of office properties completed and those sold were at a CAGR of 30.0% and -9.3% respectively between 2012 and 2015. The strong demand supported the price growth at a CAGR of 12.5% from 2012 to 2015. Nevertheless, with more newly completed office properties, the average price of office properties was suppressed to about RMB12,031 per sq.m. in 2015, but still 1.4 times higher than the level in 2012.

Key indicators of office property market in Kunming (2012-2016)

	2012	2013	2014	2015	2016	2012-2016 CAGR
GFA of office property of under construction (million sq.m.)	3.4	4.4	6.1	6.4	NA	23.5%#
GFA of office property completed (million sq.m.)	0.1	0.2	0.3	0.3	NA	30.0%#
GFA of office property sold (million sq.m.)	0.7	0.4	0.6	0.5	NA	-9.3%#
Average price of office property (RMB per sq.m.)	8,447	10,049	13,017	12,031	NA	12.5%#

Source: China Real Estate Index System

#CAGR for the period between 2012 and 2015

The main business districts in Kunming, including Xiaoximen (小西門), Qingnian Road (青年路), Sanshi Street (三市街) and Baita Road (白塔路), are in the first ring of the city. The office buildings mainly cluster on Tuofeng Road (駝峰路), Jinbi Road (金碧路), Dongfeng Road (東風路), Nanping Street (南屏街), Renmin Road (人民路), Beijing Road (北京路), Baita Road (白塔路), and Qingnian Road (青年路). With limited developable land

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available in the city center, more newly built office properties are located and expected to be built at the edge of the first ring, mainly extending towards the north and south sides in the second ring. In 2016, the average monthly rent of office property in Kunming was about RMB48-66 per sq.m. whilst the prime office had a higher rental with a unit rate of about RMB85-105 per sq.m.. The vacancy rate was about 20-30% in the main business districts, whilst those located out of these four business districts generally had a higher vacancy rate of about 40-45%. In view of the high destock pressure, since 2016, the government has introduced a series of policy measures, such as limiting land supply and relaxing restrictions on purchases and sales, aiming to reduce the stock of office properties. The rental level is expected to remain under pressure in the next few years for the high stock in spite of the policy effort that will take time to be in effect.

COMPETITIVE LANDSCAPE OF PROPERTY MARKET IN CHENGDU AND KUNMING

Chengdu

The competition of commercial real estate market in Chengdu has been keen with an increasing demand and supply. The commercial property market is considerably fragmented, with the presence of traditional large developers such as CapitaLand, Wharf, Sun Hung Kai Properties, Henderson Real Estate, Swire, China Resource Land, East Hope, Evergrande Group, Wanda, COFCO, etc. Local developers such as Chengdu Taixin Construction Company (成都泰信建設有限公司) and Chengdu Fulai Real Estate Development Company (成都福來房地產開發有限公司) are also active in both the office and retail property markets in Chengdu. Those existing and potential competitors owning and leasing commercial properties are traditional large property developers with businesses spanning across various countries and cities, local private developers, as well as international and domestic institutional and individual investors conducting en-bloc and strata-title transactions. Some of these firms provide in-house general and value-added property management services whilst outsourcing to third-party property management specialists is a common practice. The demand for property management services has been high from more newly built prime office and retail properties whilst with more intense competition, those existing properties also need quality services to preserve and enhance the property value. The office property investment activities have been vigorous in Chengdu, thronged with foreign and local investors. Our Company competes with them on a number of aspects, mainly brand recognition, financial resources, price, product quality, service quality and tenant base.

The Everbright Financial Center and Everbright International Mansion, are located in the City Center well-connected by public transport including bus and tube lines. Opposite to our Company's Properties, New Times Plaza is a 29-story office tower and 28-story Yunlong Building is a mix complex with office, retail and hotel, built in the 1990s. Apart from being the potential competitors of our Company's properties in Chengdu, their proximity and presence could bring a higher traffic flow to the district and more customers to the supermarket and restaurant, who have long been the key tenants in Everbright International Mansion. Both Everbright Financial Center and Everbright International Mansion also enjoy a locational advantage, proximate to the government's authorities and departments that can strengthen and reinforce the tenant base and traffic flow of the area where our Company's Properties are located in. Our Company not only owns and leases properties, but also provides diversified property management services, including general and value-added property management services, and parking management services. Our Company has successfully built a brand recognition and market presence as a reputable provider of quality commercial spaces and one-stop property management services, establishing a competitive strength to distinguish itself from competitors.

The property leasing and management industry is also relatively easy to enter into and does not pose a high-entry level requirement or hurdle for new participants. As such, to the extent that there is any competition or potential competition between the property leasing and management businesses of our Group and the Excluded Activities of any of the other subsidiaries of China Everbright Group, it is of no difference to other competitions encountered by our Group with other independent third parties.

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Kunming

Most of the existing and potential competitors owning and leasing office properties in Kunming are local developers, such as Junfa Group, Ziyuan Group and Yunnan Metropolitan. There are a few traditional large domestic property developers such as Evergrande, Wanda and China Oversea, having businesses spanning across various cities, as well as local state-own investors like Kunming Development Investment Group. Most of these firms provide in-house general and value-added property management services by their property management subsidiaries whereas some firms which develop or invest in prime office buildings prefer to outsourcing to third-party property management specialists. The office property investment activities in Kunming have been slowed down in recent years owing to the growing pressure of destocking.

The Ming Chang Building is located in the Qingnian Road business area, one of the main business areas in Kunming, well-served by public transport including bus lines, two railway stations within 2-3 km distances, and a subway line. Proximate to Ming Chang Building, there are many office and complex properties with residential, office, and retail uses, mostly aged over 10 years, such as Ruyi Mansion, Kunming Aocheng and Hongcheng Plaza. The concerned office property market has kept at a comparatively lower vacancy rate of approximately 20%. Apart from being the potential competitors of our Company's properties in Kunming, the proximity and presence of offices in the area could form a business-friendly environment served by well-equipped facilities, which in turn drives more commercial demand and customer flows to the area. Granted its advantageous location as a mature main business area where many government authorities and shopping centers cluster, Ming Chang Building has benefited from more potential quality tenants and high customer flow that favor its occupancy rate.

GROWTH DRIVER AND ENTRY BARRIER OF PROPERTY MARKET IN CHENGDU AND KUNMING

As Chengdu and Kunming are fast-growing tier-2 cities, the user-demand for quality commercial property spaces has been growing from both the international and domestic businesses and investors. Given the increasing new completions and continuously improved infrastructure in the cities, the key determining factors of preserving and driving the growth of property values are the attractiveness of location, quality of management and tenant base.

The latest government policies on the real estate market and urban planning are conducive to the prospects of our Company's property portfolio. In August 2016, Chengdu Planning and Management Bureau released the 'Center of Chengdu' Plan, to establish a large-scale integrated 'Urban Cultural Complex', featuring cultural center, historical heritage, and central business district surrounding open space and central park, near to the Tianfu Square, within the traditional CBD. It could be a favorable policy driver to boost the office and retail property development by upgrading the traditional CBD equipping it with comprehensive, integrated and synergetic functions. In Kunming, the PRC government reaffirms that the city as a capital city of Yunnan province and an important city in west China. In accordance with Master Plan of Kunming (2011-2020) (昆明市城市總體規劃 (2011—2020 年)), Wuhua (五華), Panlong (盤龍) and Guandu (官渡), including the main business districts in the first ring, are designated as the core business zone via spatial planning and city development. This enhances and reinforces their position as the hub of business, tourism and transportation. Chengdu and Kunming, being the capital city of Sichuan and Yunnan provinces respectively that, to a large extent, have benefited from the national policy stimulus of developing west China. In addition, 'One Belt One Road' initiative is favorable to the west region in China, particularly via infrastructure and urbanization projects, which could be expected to give another drive to the economic and commercial real estate development in Chengdu and Kunming. The overall local economic growth is another drive that is favorable to boosting the office and retail property market. According to the 13th Five-Year Plan, the targeted average real GDP growth rates are respectively 7% and 9% per annum in Chengdu and Kunming from 2016 to 2020.

With the favorable policy initiatives in the city planning and economic aspects, as well as the high demand for quality commercial spaces, it is foreseeable that the investment value and attractiveness of our Company's properties would be preserved with a considerably optimistic growth potential, given their attributes of high locational exclusivity, desirable property management and solid tenant base.

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There are a number of barriers to enter the PRC commercial property investment and property management market. Apart from requiring intensive capital investment and various kinds of expertise, property investment and property management firms have to possess in-depth industry knowledge, a broad and high quality customer base, a good understanding of macro-socio-economic environment, local government policies, and demand for different types of properties in each city. Maintaining a good relationship with local government and authority is conducive to strategic cooperation and exploration of business opportunities in future. Therefore, as a first-mover in the real estate market in Chengdu and Kunming, our Company has gained wide experiences and developed market reputation that is a competitive advantage over new entrants.

OVERVIEW OF THE U.K.'S ECONOMY

The U.K. has been one of the most popular countries for real estate investment attributed to its strong and solid economic fundamentals. The population in the U.K. rose to 65.6 million in 2016 at a CAGR of 0.8% from 2012, with an urbanization rate reaching 82.8%. The nominal GDP of the U.K. increased to £1,940.2 billion in 2016, representing a CAGR of 3.7% from 2012. The real GDP growth rate was 2.1% on average in the past five years. The households gross disposable income per head increased from £17,845 in 2012 to £19,514 in 2016, at a CAGR of 2.3%, higher than the average annual inflation rate of 1.5%. The total retail sales rose at a CAGR of 2.5% from 2012 to 2016. The net foreign direct investment declined from £35,099 million in 2012 to £25,309 million in 2015 and hit a record high of £145,609 million in 2016.

Key economic indicators of the U.K. (2012-2016)

	2012	2013	2014	2015	2016	2012-2016 CAGR
Population (million) ⁽¹⁾	63.7	64.1	64.6	65.1	65.6	0.8%
Urbanization (%)	81.8	82.1	82.3	82.6	82.8	82.3%*
Nominal GDP (£ billion)	1,675.0	1,739.6	1,822.5	1,872.7	1,940.2	3.7%
Nominal GDP per capita (£)	26,794	27,136	27,756	28,142	28,448	1.5%
Real GDP growth rate (%)	1.3	1.9	3.1	2.2	1.8	2.1%*
Households gross disposable income per head (£) ...	17,845	18,119	18,565	19,147	19,514	2.3%
Total Retail Sales (£ billion)	351.0	360.1	378.1	374.8	387.8	2.5%
Net Foreign Direct Investment in the U.K. (£ million)	35,099	33,054	14,993	25,309	145,609	42.7%
Consumer Price Index (YOY change %)	2.8	2.6	1.5	0	0.7	1.5%*

Source: Office for National Statistics, The World Bank

Note: ⁽¹⁾ mid-year estimate

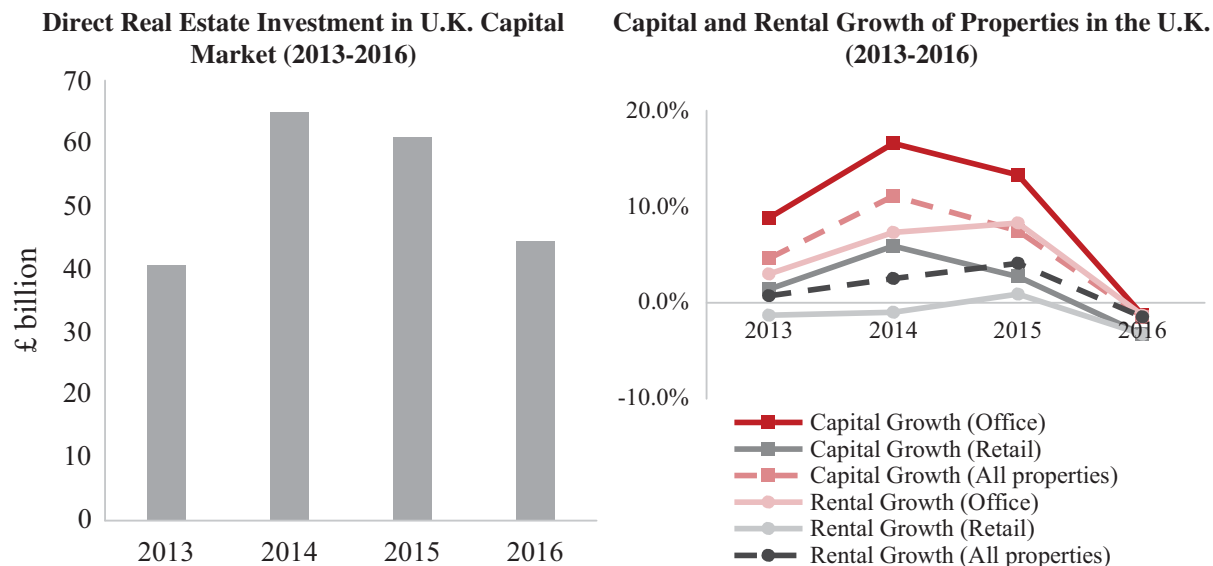
*arithmetic mean for the period between 2012 and 2016

In 2016, the direct real estate investment in the U.K. was £44.4 billion, decreasing by about 28% YOY. By types of property, office remained to be the most popular type, accounting for 44% of all transactions, followed by alternatives (including student housing, hotels, healthcare, private rented sector, data centers, etc.) with 23%, retail with 19%, industrial with 10% and the mixed with 4%. By geographical location, Greater London made up £18.9 billion, accounting for about 42.6% of the investment volume. Breaking down the direct real estate investment by origins of the investors, domestic investors accounted for 57% and the overseas investors made up 43%, out of which investors from the Asia Pacific were the largest group accounted for 14%.

Between 2013 and 2016, the YOY capital growth of all properties was the highest in 2014, with 11.1%. Simultaneously, the capital growth of office was 16.6% and 5.9% for retail in 2014. Afterward, the YOY capital growth of all properties in the U.K. has been slowed down and declined by 1.5% in 2016, when both that of office and retail recorded -1.3% and -3.3%. For retail market, the YOY rental growth of property improved from

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2013 and reached 4.1% in 2015, when that of office was 8.3% and 0.9% for retail. In 2016, the YOY rental growth turned into negative with -1.3% for office and -3.3% for retail.



Source: JLL

OVERVIEW OF OFFICE AND RETAIL PROPERTY MARKETS IN LONDON

London is one of the most favorite cities for direct real estate investment in the U.K.. The main office property markets in Central London are found in the City⁽¹⁾, West End⁽²⁾ and East⁽³⁾ of London. The total investment volume of office property in Central London was about the level of £18.5 billion in three consecutive years between 2013 and 2015, whilst it declined to £12.9 billion in 2016. Throughout these four years, over half of the transaction volume took place in the City whilst there was about 32-40% of the investment volume found in the West End each year. The office property market in both the City and West End has been hot with a reduced prime yield by 50 basis points. The prime yield in the City decreased from about 4.75% to 4.25% in the last four years whilst that in West End dropped from about 4.0% to 3.5%, implying that the price rise was more remarkable with active real estate investment activities in Central London. The active demand for office spaces is mainly from telecommunications, media and technology, banking and finance and professional services sectors.

City: The prime rent of office property in the City increased from £60 per sq.ft. per annum in 2013 to £70 in 2016, increasing at a CAGR of 5.3%. Between 2013 and 2016, the vacancy rate in the City dropped from 6.5% to 4.0%.

West End: The prime rent of office property in the West End rose from £105 to £110 in the past four years, at a CAGR of 1.6%. In the West End, the vacancy rate in 2013 and 2016 increased slightly from 3.8% in 2013 to 4.1% in 2016.

East: The prime rent of office property in the East rose from £39 to £48 in the past four years, at a CAGR of 7.3%. The vacancy rate of office property slipped from 6.8% to 5.2% over the four years concerned, but it was still higher than that in the City and West End.

- (1) Covers the area of Clerkenwell, Shoreditch, Northern, Midtown, Southern, Eastern, Western, Aldgate in London, the U.K..
- (2) Covers area of Hammersmith, Kensington Chelsea, Paddington, Marylebone, Euston, Camden, King's Cross, North of Oxford Street, Fitzrovia, Bloomsbury, Mayfair, Soho, St James's, Covent Garden, Belgravia-Knightsbridge, Victoria, Waterloo, Vauxhall, Battersea in London, the U.K..
- (3) Covers area of Canary Wharf, Stratford, Wider Docklands, and other areas of new office development such as St Katherine's Dock and Wapping in London, the U.K..

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The completion rate for new offices in the City and West End, representing 4.5 million sq.ft. and 2.9 million sq.ft., respectively, will remain substantially high in 2017, the vacancy rate in Central London is expected to increase to 4.5-5.5% and the rental growth will be under pressure in 2017-2018. Between 2019 and 2021, the vacancy rate is forecasted to start to fall to a level of about 4.0-5.0% owing to the decreased supply, potentially pushing up the rents. The future capital growth of office property in the next five years is expected to stay positive at about 2% YOY growth, given the keen and growing interest among overseas investors. Besides, with the uncertainty brought by the Brexit negotiation, the competitive landscape of the property market in the U.K. might be affected, owing to the changes of investment outlook and market dynamics. Still, the performance of rental and capital growth of office and retail properties in London in the long run will hinge on the fundamentals of the locality and economy.

For retail property market in Central London, the total investment volume was £2.1 billion across 70 transactions in 2016. Among these combined activities involving a total of £1.44 billion, about 71% of which was attributed to transactions that took place after the EU referendum held in June 2016. It reveals that the velocity of capital in retail property investment market was high in the wake of the Brexit.

COMPETITIVE LANDSCAPE OF PROPERTY MARKET IN THE U.K.

The property market in the U.K. is highly competitive and the overseas investors account for about 40% of the volume of direct real estate investment. By purchaser type, pooled funds made up the largest proportion of volume of direct real estate investment in the U.K. in 2016, accounting for 32%, followed by property companies with 26% and institutions with 20%.

The latest business rates revaluation, coming into effect in April 2017, might reshape the tenancy mix and competitive landscape of office and retail property markets. For office property market, the rates on prime property could be driven up, reducing the price differentials between traditionally 'core' and 'fringe' locations. For retail property market, the rise of the business rates could affect the rental growth in the short run but still, the degree of the impact brought by the rise of the business rates on these retail operators will depend on the contractual arrangement about the rental terms negotiated with landlords.

COMPARISON OF PROPERTY INVESTMENT, MANAGEMENT AND LEASING BETWEEN THE U.K. AND THE PRC

The risk-return profile of property market in the U.K. differs from that in the PRC in the aspect of land tenure system, length of tenancy lease and market liquidity that would affect property investment, management and leasing in these two countries. The vast majority of commercial properties in the U.K. are held on a leasehold basis, having longer lease expiry term, ranging from 99 to 999 years, compared to that in the PRC for about 40-50 years. As the remaining term on the lease has an impact on the property value, the property price in the PRC could generally be more sensitive to the lease terms than that in the U.K.. The tenancy lease term of commercial properties in the U.K. are generally over 10-year in length, is longer than that in the PRC which normally have tenancy lease term of about 3-5 years. The longer tenancy lease term in the U.K. implies that more tenancy improvement allowances are expected to be covered and provided by building owners to build-out or retrofit the spaces. Both the longer leasehold term and tenancy lease term drive landlords and tenants to devote more resources on property management to preserve and enhance property value.

With reference to JLL's report "Global Real Estate Transparency Index 2016", the U.K. is classified in the High Real Estate Transparency Tier and ranked number one in terms of the transparency of its real estate market among other countries. It has more quality market data available and better legislation to ensure that the transactions are transparent. On the other hand, PRC Tier 1 to 3 cities are classified in the Semi Real Estate Transparency Tier and ranked from 33 to 66 respectively as their performance was mainly affected by the capital control and emerging market.

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The transparent real estate market in the U.K. strengthens the investors' confidence level on their real estate investment. High level of transparency is associated with higher level of foreign real estate activities, such as investment, development and occupation, which in turn increase the number of real estate transactions as investors are more willing to invest in markets with more accurate and timely data available. This perspective is further supported by the findings in the same report that the countries in the High Real Estate Transparency Tier accounted for 75% of the global real estate investment, while the Semi Real Estate Transparency Tier only accounted for 5 to 10%. In addition, there are also more global corporate headquarters in the High Real Estate Transparency Tier countries than in the Semi Real Estate Transparency Tier countries.

On the other hand, capital control policy in the PRC is one of the biggest barriers for foreign real estate investors. The restrictions on movements of capital across borders lower the flexibility for real estate investment. Therefore, investors will be focusing instead on more flexible markets with free flow of capital movements, such as the U.K..

With an open, transparent and sound legal system, the U.K., especially London, has long established a sophisticated and recognized international property market with high efficiency and transparency that has a lower liquidity risk for acquisition and disposal as compared to that in the PRC.

Stamp duty and business tax apply in purchasing property and running leasing business in both countries and the details vary. When a property or land over a certain price in the U.K. is purchased, Stamp Duty Land Tax (SDLT) of a rate between 1% and 2% is imposed on the net present value of total rent over the life of the lease for leasehold property, and a rate between 2% and 5% on the chargeable consideration for freehold property. Apart from SDLT, value-added tax at a rate of 20% could apply in non-residential property transfers but the rules depend on specific circumstances surrounding the transfer and transaction in the U.K.. In China, stamp duty is levied on both the sale and lease agreements for real estate, which is assessed at 0.05% of the value for sales and 0.1% of leasing fee. For investing real estate in the U.K. for leasing business, non-resident corporation is generally subject to basic rate U.K. income tax at 20% of net income from rental business, higher than that in China with business tax levied at 5% on gross rental income for property leases.

IMPACT OF BREXIT ON COMMERCIAL PROPERTY MARKET IN THE UNITED KINGDOM

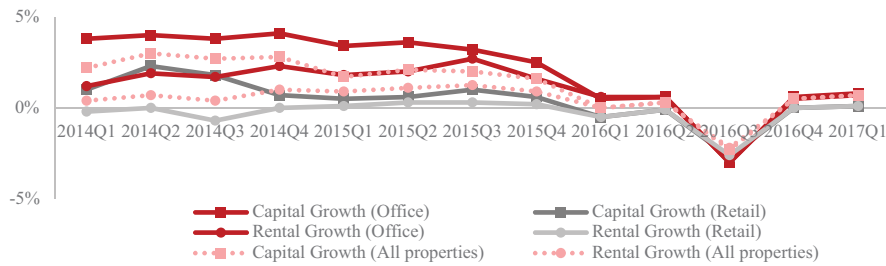
After the referendum in June 2016, the quarterly capital and rental growth of all properties turned negative in 2016Q3 as an immediate market response. Nevertheless, the performance of office and retail property investment markets had a considerably strong finish to 2016. The quarterly capital growth of office property was 0.6 and 0.8% in 2016Q4 and 2017Q1 respectively, and for quarterly rental growth, it was about 0.5 and 0.7% respectively. For retail property, the quarterly capital and rental growth was between zero and 0.1% in the two quarters following the EU referendum. These reflect that Brexit has affected the property market in the U.K. shortly in 2016Q3 and the pick-up of both the quarterly capital and rental growth revealed the high resilience, particularly in the office market in the U.K..

The impact of Brexit has been reflected on the depreciating pound owing to the heightened uncertainty but the weakening currency has presented attractive buying opportunities to foreign investors, particularly those from Europe and from U.S. dollar denominated countries. Overseas investment accounted for 74% and 80% of the total volume traded respectively in Central London office and retail property markets in 2016. Despite the uncertainty ahead, the fundamentals of prime commercial property in Central London remain solid, supported by industry growth and economic momentum. The commercial property assets in London are considered as attractive investment vehicles for investors looking for the access to a highly transparent and liquid market.

The impact of Brexit on commercial property market in the U.K. has been absorbed as reflected by the latest rebound of capital and rental growth. The expected future impact of Brexit on the property market in the U.K. in the next five years is expected to be considerably moderate given the strong fundamentals of the national economy that sustainably brings in occupier demand to the commercial property market.

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Capital and Rental Growth of Properties in the U.K. (2014Q1-2017Q1)



GROWTH DRIVER AND ENTRY BARRIER IN THE U.K.

Despite the political and economic uncertainty ahead, the forecast for the U.K. GDP growth have recently been revised upwards by the Bank of England, reflecting the positive momentum, with growth of 2.0% forecast for 2017 and 1.6% for 2018. The Brexit negotiations will inevitably garner significant attention during 2017, whilst the precise outcomes are unlikely to be known before 2018 or later. Still, JLL has long emphasized that city momentum involves far more than just raw GDP growth. In 2017, based on JLL's City Momentum Index (CMI), London is ranked on the 6th position globally for its impressive resilience following the EU referendum on February 22, 2016 and inherent strengths in technology, innovation and education. Still, the final outcome of the 'Brexit' negotiations presents some uncertainty, and housing affordability and infrastructure capacity are also constraints to future momentum.

Despite the uncertainties ahead, there could be attractive investment opportunities presented to overseas investors via purchasing distressed and undervalued property assets, and taking advantage of the dropping pound value. Property investment is a capital intensive activity whilst the drop of pound currency lowers the entry barrier with a reduced purchase cost. The fundamentals of prime commercial property in Central London are supported by industry growth and economic momentum, and quality property assets are considered as attractive investment vehicles for investors looking for the access to a highly transparent and liquid market.

REGULATORY OVERVIEW

A. REGULATORY OVERVIEW OF THE PRC PROPERTY INDUSTRY

Set below is the summary of the PRC laws and regulations in relation to the business and operation of our Company, including the establishment of real estate enterprises, acquisition of land use rights, property development and properties management, etc.

THE ESTABLISHMENT OF REAL ESTATE DEVELOPMENT ENTERPRISE

General Provisions

According to Urban Real Estate Administration Law of the PRC as amended in 2009 (中華人民共和國城市房地產管理法) (the “**Urban Real Estate Law**”), issued by the Standing Committee of the NPC in August 2009, a real estate development enterprise shall mean an enterprise that conducts business in development and operation of real estate for the purpose of profit. According to Regulation on the Administration of Development and Operation of Urban Real Estate as amended in 2011 (城市房地產開發經營管理條例) (the “**Development Regulations**”), issued by the State Council in January 2011, besides complying with the requirements of establishment of enterprises stipulated in relevant laws and administrative regulations, to establish enterprises for the development of real estate, the following requirements shall also be met:

- (a) have registered capital of RMB1,000,000 or more;
- (b) have 4 or more full-time technical personnel in the fields of real estate and construction engineering, who have obtained certificate of qualifications, and 2 or more full-time accounting personnel with certificate of qualifications.

In accordance with local situations, people’s governments of provinces, autonomous regions and municipalities directly under the State Council may make requirements higher than the previous paragraph for the establishment of enterprises for development of real estate concerning registered capital and the qualifications of professional technical personnel.

To establish a real estate development enterprise, the developer must apply for registration with the Administration for Industry and Commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license.

Subject to approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and operation of real estate may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise in accordance with the PRC laws and administrative regulations regarding foreign invested enterprise.

Foreign Investment in Real Estate Development

According to Opinions on Regulating the Access to and Administration of Foreign Investment in the Real Estate Market (關於規範房地產市場外資准入和管理的意見), issued by the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE in July 2006, foreign investors to invest in the real estate market in China shall meet the following requirements:

- (a) An overseas institution or individual shall, when investing in China to purchase any not-for-self-use real estate, abide by the principles of commercial presence and apply, according to the relevant provisions on foreign investment in real estate, for establishing a foreign investment enterprise and may, upon obtaining the approval of the relevant department as well as completing the relevant registration, engage in the relevant operation according to its approved business scope.

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- (b) As to a foreign-invested real estate enterprise (the “FIREE”) with an investment amount of no less than US\$10 million (including US\$10 million), its registered capital shall not be less than 50% its investment amount. Where the total investment is less than US\$10 million, its registered capital shall be governed by the existing provisions.
- (c) FIREEs can apply for renewing the official foreign-invested enterprise approval certificate and business license with an operation term of one year only after they have paid back all the land premium and obtained the state-owned land use rights certificate.
- (d) The transfer of stock right and projects of FIREES as well as the acquisition of domestic real estate enterprises by overseas investors shall be subject to the examination and approval of the commerce departments, etc. in strict accordance with the relevant laws and regulations. An investor shall submit the guarantee letters for performance of the contract on the transfer of state-owned land use right, the license for the planning of construction land and the license for the planning of construction projects and the use certificate of state-owned land, certification on the alteration of archival files in the administrative department of construction (real estate) as well as the relevant certification materials of tax return as produced by the taxation authority.
- (e) Where an overseas investor purchases a domestic real estate enterprise by such means as equity transfer or acquires the Chinese equity in a joint venture, it shall properly resettle the relevant employees, settle the bank debts and pay off the transfer price by its self-owned capital in a one-off manner. An overseas investor with any unfavorable record is not allowed to conduct any of the aforesaid activities within the Chinese territory.

According to Notice on Adjusting the Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知), issued by the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE in August 2015, the proportion of the registered capital of a FIREE to its total investment shall be governed by the Interim Provisions of the State Administration for Industry and Commerce on the Proportion of the Registered Capital of a Chinese-Foreign Equity Joint Venture to Its Total Investment (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定) issued by the SAIC in February 1987, where the total investment of an equity joint venture is US\$3 million or less, the registered capital of the equity joint venture shall be at least seven tenths of the total investment; where the total investment of an equity joint venture is more than US\$3 million and not exceeding US\$10 million, the registered capital of the equity joint venture shall be at least one half of the total investment, provided that the registered capital shall be no less than US\$2.1 million if the total investment is less than US\$4.2 million; where the total investment of an equity joint venture is more than US\$10 million and not exceeding US\$30 million, the registered capital of the equity joint venture shall be at least two fifths of the total investment, provided that the registered capital shall be no less than US\$5 million if the total investment is less than US\$12.5 million; where the total investment of an equity joint venture is more than US\$30 million, the registered capital of the equity joint venture shall be at least one third of the total investment, provided that the registered capital shall be no less than US\$12 million if the total investment is less than US\$36 million.

According to Notice on Further Strengthening and Regulating the Examination, Approval and Supervision of Foreign Direct Investment in Real Estate Industry (as amended in 2015) (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), issued by MOFCOM and SAFE in October 2015, local commercial authorities shall reinforce the approval and supervision procedures over FIREEs, and strictly control foreign fund from investing in high-end real estate development projects. Foreign-invested company which intends to carry on property development business shall obtain the land use rights and property ownership, or has entered into pre-contract purchase agreement with the relevant land administrative authorities, land developers, or the owners of real properties, otherwise the relevant authorities will not approve the establishment of proposed foreign-invested real estate company. For an existing foreign-invested company who intends to expand its business or company who intends to operate or develop new real estate project, they shall complete relevant

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procedures with the approval authority. The acquisition of or investment in domestic real estate enterprises by means of return investment (including having the same actual controller) shall be strictly controlled. Foreign investors shall not evade the examination and approval of foreign-invested real estate by means of altering the actual controller of domestic real estate enterprises.

According to Notice on Doing a Good Job in Archival Filing of Foreign Investment in the Real Estate Industry (關於做好外商投資房地產備案工作的通知), issued by the MOFCOM in June 2008, the registration shall be preliminarily examined by the provincial branch of the MOFCOM before submitting to the MOFCOM for registration. The establishment (including the increase of registered capital) of a FIREE shall comply with the project company principle of engaging in one approved real estate project only. Pursuant to the notice, the MOFCOM may randomly select registered FIREEs for examinations. The foreign currency registration of any enterprise which is found to be in violation of the existing regulations shall be canceled and the foreign investment statistics of such enterprise shall be nullified by the SAFE upon the notice of the MOFCOM.

According to Notice on Strengthening the Approval and Filing Administration of Foreign Investment in the Real Estate Sector (關於加強外商投資房地產審批備案管理的通知), issued by the General Office of the MOFCOM in November 2010, real estate enterprises established by overseas investors within the territory of China shall not conduct arbitrage through purchasing and selling domestic real properties, whether built or under construction. Commerce departments across the country shall examine and approve the establishment of investment companies by foreign investors in strict accordance with relevant provisions and shall not approve investment companies which conduct business in real estate development and other operations.

In June 2014, the MOFCOM and the SAFE jointly issued Notice on Improving the Recordation of Foreign Investments in Real Estate (改進外商投資房地產備案工作的通知), which adopts an electronic registration system to simplify the registration process and emphasizes the post-registration governance.

According to Notice on Further Improving the Recordation of Foreign Investment in Real Estate (關於進一步改進外商投資房地產備案工作的通知), issued by the MOFCOM and the SAFE in November 2015:

- (a) For the purpose of further simplifying the administration of FIREEs, local competent departments of commerce at all levels shall, according to the laws and regulations on foreign investment and relevant provisions, approve the formation and modification of FIREEs and fill out the relevant information on real estate projects in the integrated foreign investment management information system of the MOFCOM as required.
- (b) The publication procedure for recordation on the website of the MOFCOM shall be canceled. FIREEs may, after completing the aforesaid work procedure, go through foreign exchange registration under foreign direct investment and other formalities with a bank according to relevant provisions on foreign exchange administration.

QUALIFICATION OF REAL ESTATE DEVELOPMENT ENTERPRISES

Classification and Rating of Qualifications of Real Estate Development Enterprises

In accordance with the Development Regulations, a real estate development enterprise shall, within 30 days starting from the date of obtainment of the business license, file the relevant documents with the competent department of real estate development of the place where the registration authority is located. The competent department of real estate development shall, on the basis of the assets, specialized technical personnel and development and management achievements, verify the level of qualification of the real estate development enterprise in question. The real estate development enterprise shall, in accordance with the verified level of qualification, undertake corresponding real estate development projects. Relevant specific rules may be formulated by the competent administrative department of construction of the State Council.

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The Ministry of Construction promulgated the Regulations on Administration of Qualification of Real Estate Development Enterprises (房地產開發企業資質管理規定) (the “Circular 77”) in March 2000, and amended it in May 2015. Pursuant to Circular 77, an enterprises which develop real estate shall be approved in accordance with the provisions of application for the enterprise qualification level. Enterprises that fail to obtain certificates of real estate investments shall not conduct real estate development business.

Enterprises that conduct real estate development business are classified into four qualification levels: Level I, Level II, Level III and Level IV in accordance with their registered capital and financial conditions, experience of real estate development business, construction quality, the professional personnel they employ, and quality control system etc. The preliminary examination of the qualification of Level I shall be overseen by the administrative departments of people’s governments of provinces, autonomous regions and municipalities directly under the central government and then reported to the construction administrative departments of the State Council for approval. The examination measures of the enterprises of Level II qualification or lower shall be formulated by the construction administrative department of the people’s governments of provinces, autonomous regions and municipalities directly under the central government. Enterprises passing the qualification examination shall be awarded with corresponding levels of qualification certificates by the qualification examination departments. The competent department of real estate development shall verify and issue the provisional qualification certificate (暫定資質證書) to the enterprises that conform to the conditions within 30 days upon receipt of the application for filing of establishment. The validity period of the provisional qualification certificate is one year. The competent department of real estate development may extend the validity period of the provisional qualification certificate depending on the actual conditions and the extension shall not exceed two years. The term of validity of the provisional qualification certificate may not be extended if enterprises fail to develop projects within one year from the date of receipt of such certificate. Enterprises that conduct real estate development business shall apply for verification of qualification level to the competent department of real estate development within one month before expiration of the validity period of the provisional qualification certificate.

Business Scope of Real Estate Development Enterprises

Pursuant to the relevant provisions of the Circular 77, enterprises of various qualification levels shall conduct their real estate development and management business within the prescribed scope of business and shall not undertake tasks bypassing their own levels. The construction scale of real estate projects undertaken by real estate development enterprises with Level I qualification across the country shall not be restricted. Real estate development enterprises with qualifications of Level II or lower shall be allowed to undertake development and construction projects with a construction area of less than 250,000 square meters. The specific range of business is determined by the competent construction administrative department of the people’s government of provinces, autonomous regions and municipalities directly under the central government.

Annual Qualification Review of Real Estate Development Enterprises

Pursuant to the relevant provisions of the Circular 77, the qualification of real estate development enterprises shall be subject to annual review. For enterprises that do not conform to the existing qualification criteria or found with improper business practices, the original qualification approval department shall downgrade or cancel their qualification certificates. The annual qualification review of real estate development enterprises with Level I qualification shall be under the charge of competent construction administrative department of State Council or its authorized authority. For the annual review of real estate development enterprises with qualifications of Level II or below, the competent construction administrative department of provinces, autonomous regions and municipalities directly under the central government shall formulate the administrative measures.

LAND FOR PROPERTY DEVELOPMENT

In April 1988, the NPC amended the Constitution of the People’s Republic of China (中華人民共和國憲法) to permit the transfer of land-use rights for value. And in December 1988, the Standing Committee of the NPC

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amended the Land Administration Law (中華人民共和國土地管理法) to permit the transfer of land-use rights for value. Under the Land Administration Law, any change to be lawfully made in land-use rights shall be registered.

Under the Interim Regulation Concerning the Grant and Assignment of the Right to Use State-owned Urban Land (the “**Interim Regulation on Grant and Assignment**”) (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council in May 1990, the PRC adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. The Interim Regulation on Grant and Assignment prescribes different maximum terms of granted land-use rights for different uses of land as follows: (i) land for commerce, tourism and entertainment: 40 years; (ii) land for residence: 70 years; (iii) land for industry: 50 years; (iv) land for education, science, technology, culture, public health and sports: 50 years; and (v) land for comprehensive utilization or other purposes: 50 years. The PRC government may not resume possession of lawfully granted land-use rights prior to expiration of the term of grant. If the public interest requires the resumption of possession under special circumstances during the term of grant, compensation must be paid by the PRC government. Subject to compliance with the terms of the land grant contract, a holder of land-use rights may hold, lease, transfer mortgage and develop the land for sale or lease. Upon paying in full the land grant fee pursuant to the terms of the contract, the grantee may apply to the relevant land bureau for issuance of the land-use rights certificate. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land-use rights and payment of a new land grant fee. If the term of the grant is not renewed, the land-use rights and ownership of any buildings on the land will revert to the PRC government without compensation.

Under the Urban Real Estate Law and the Interim Regulation on Grant and Assignment, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land-use rights certificate which evidences the acquisition of land use rights. The Urban Real Estate Law and the Development Regulation provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the relevant PRC government authorities approve the transfer and the land premium determined by the relevant PRC government authorities has been paid.

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

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

- (a) development and construction of the state-owned idle land is not commenced after one year of the prescribed time limit in the land use right grant contract or allocation decision; or
- (b) the development and construction of the state-owned idle land has been commenced, but the developed land area is less than one third of the total land area under the land grant contract or the sum already expended on the development of the land is less than one fourth of the total investment of the project, and the suspension of development of the land has lasted for one year or more.

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Where the delay of commencement of development is caused by the government's behavior or due to the force majeure of natural disasters, the land administrative authorities shall discuss with the holder of state-owned construction land use rights and choose the following methods for disposal:

- (a) extending the time limit of the start of development. The government and the holder of state-owned construction land use rights shall enter into the supplemental agreement and re-specify the time limit of the start of development and construction completion and the liability for breach of contract. The time limit of the start of development shall not be extended over one year from the date of the start of development specified on the supplemental agreement;
- (b) adjusting the land use and planning conditions. The relevant land use procedure shall be re-gone through and the land grant premium shall be checked, collected or returned according to the new land use or planning conditions;
- (c) the government arranges temporary use for the idle land. The holder of state-owned construction land use rights shall re-develop and construct the idle land till the former project satisfies the requirements of development and construction. The time limit of temporary use shall not exceed two years from the date of temporary use arranged;
- (d) getting back the use right of the state-owned construction land with compensation;
- (e) exchanging the idle land. When the land grant premium of the idle land have been paid up, the project funding has been completed and the idleness is caused by the plan amendment according to the law, the government can exchange other state-owned construction land of same value and use for the holder of state-owned construction land use rights to develop and construct. As for the land grant, the holder of state-owned construction land use rights and the government shall reenter into land grant contract which shall specify the land as the exchange land; and
- (f) the city-level and county-level land administrative authorities can stipulate other disposal ways according to the actual situation.

Save for the above item (f), the time of the commencement of development shall be re-dated according to newly agreed or stipulated time.

In September 2007, the Ministry of Land and Resources promulgated the Notice on Strengthening the Disposing of Idle Land (關於加大閒置土地處置力度的通知), providing that the surcharge on idle land shall be 20% of the land grant premium in principle and where the confiscation measure is required in accordance with the law, such measure shall be strictly implemented.

In January 2008, the State Council issued the Notice on Promoting the Saving and Intensive Use of Land (國務院關於促進節約集約用地的通知). This notice strictly enforces the policies for dealing with idle land. If a piece of land has been idle for two years or more, it must be taken back free of charge absolutely and rearranged for other uses. If the land does not meet the statutory conditions for recovery, it must be timely dealt with and fully used through changing its uses, replacement by parity value, temporary use or incorporation into government reserves. If a piece of land has been idle for more than one year but less than two years, the idle land surcharge must be collected at 20% of the land grant premium. If the land premium has not been completely paid off according to the contract, no land certificate may be granted, and it is also prohibited to grant the land certificate by dividing the land based on the proportion of the paid land grant premium.

According to the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) issued by the General Office of the State Council in January 2010, the land resource authorities shall strengthen the investigation and handling of idle lands.

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THE DEVELOPMENT OF REAL ESTATE PROJECTS

Planning of Real Estate Projects

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

Expropriation and Compensation

In accordance with the Regulations on Expropriation and Compensation of Buildings on State-Owned Land (國有土地上房屋徵收與補償條例) promulgated by the State Council in January 2011, the responsible party who intends to expropriate buildings on the state-owned land for public interest shall compensate the building owners fairly. For safeguarding national security and promoting national economic and social development and other public interests, city or county level governments may make the decision to expropriate the housing.

The municipal government and municipal government at the county level are in charge of expropriation and compensation of the housing in their own administration divisions. The expropriation and compensation shall be organized and implemented by the housing expropriation department assigned by the municipal government and municipal government at the county level. The housing expropriation department shall draft the compensation plan, and submit the plan to the municipal government and municipal government at the county level. The municipal government and municipal government at the county level shall discuss the compensation plan and announce the plan for public opinions.

Compensation for expropriation may be effected by way of monetary compensation or exchange of property rights. If the monetary compensation method is used, the amount of compensation shall be assessed based on the real property market price. If the property exchange or replacement method is used, the government and the building owners subject to expropriation shall compare the amount of compensation due and the value of the replacement property, and calculate the difference. In addition to the compensation, the government will also pay a removal allowance to the building owners subject to expropriation. On August 31, 2006, the State Council promulgated a Notice on Strengthening Administration of Land (國務院關於加強土地調控有關問題的通知) which increased the amount of relocation compensation paid to farmers and various other land use fees.

Construction Work Commencement Permit

The real estate developer shall apply for a construction work commencement permit (建築工程施工許可證) from the relevant construction authority in accordance with the Regulations on Administration Regarding Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Construction in October 1999 and amended in July 2001 and June 2014.

Acceptance and Examination upon Completion of Real Estate Projects

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as

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well as provisions of the relevant contracts. In January 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), which sets out the respective quality responsibilities and liabilities for developers, construction companies, exploration companies, design companies and construction supervision companies.

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

INSURANCE OF REAL ESTATE PROJECTS

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

REAL ESTATE TRANSACTIONS

Sale of commodity properties

Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法) (the “**Sale Measures**”) promulgated by the Ministry of Construction in April 2001 and became effective in June 2001, the sale of commodity properties can include both sales prior to and after the completion of the properties. Commodity buildings may be put to post-completion sale after they have passed the clearance examination and satisfied the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the real estate development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

Pre-sale permit of commodity properties

Any pre-sales of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sales of Commodity Properties (城市商品房預售管理辦法) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and July 2004 (the “**Pre-sales Measures**”).

The Pre-sales Measures provide that any pre-sales of commodity properties is subject to specified procedures. If a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sales permit. The pre-sales of commodity properties is required to meet the following conditions:

- (a) the related land grant premium having been fully paid up and a land use rights certificate having been obtained;

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- (b) a construction work planning permit and a construction work commencement permit having been obtained;
- (c) the funds invested in the development of the commodity properties intended for presale representing 25% or more of the total investment in the project and the progress of construction and the completion and delivery dates having been properly determined;
- (d) a permit for pre-sale of commodity buildings has been obtained; and
- (e) the proceeds of pre-sale of commodity buildings must be used to the relevant project construction.

According to the Sale Measures, the real estate developer shall not sell commodity properties by means of rebated sale or any such means in disguised forms. The real estate developer may not sell uncompleted commodity properties by the after-sale lease guarantee or by any such means in disguised forms.

Supervision on proceeds of pre-sale of commodity properties

Under the Pre-sales Measures and the Urban Real Estate Law, the pre-sales proceeds of commodity buildings may only be used to fund the property development costs of the relevant projects.

In April 2010, the MOHURD promulgated the Notice on Further Strengthening the Supervision and Administration of Real Estate Market and Improving the Commodity House Pre-sales System (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知), which stipulates, among other things, that:

- (a) for the commodity house projects which have not obtained the pre-sales permits, real estate development enterprises shall not conduct any pre-sales activity, or collect fees from purchasers in the nature of deposit or reservation fee in forms of subscription, reservation, number arrangement and VIP card distribution and shall not engage in any sales exhibition. For those which have obtained the pre-sales permits, real estate development enterprises shall carry out one-time publications of the sources of all houses permitted to sell and the price of each house within ten days, and sell the houses strictly at the prices reported and definitely posted. Real estate enterprises shall not sell the houses to any third party, of which the titles have been reserved by themselves, prior to the initial registration of the titles, or pre-sell the commodity houses in the methods of return-cost sale or after-sale lease arrangement or engage in any false transaction;
- (b) the smallest scale set by a pre-sales permit shall not be smaller than a building, and the pre-sales permit shall not be proceeded by floor or unit;
- (c) real estate development enterprises shall sell commodity houses according to the pre-sales plans for commodity houses. Major alteration in the pre-sales plans shall be reported to the competent authority and made public;
- (d) real-name system shall be strictly implemented in the sale of commodity houses, and changes of the names of the purchasers without permission are not allowed after subscription. Pre-sales shall be rescinded if the purchaser does not enter into pre-sales contract within the time limit after subscription, and the houses upon rescission shall be sold to the public; and
- (e) the supervision mechanism of pre-sales proceeds shall be perfected. For areas where a supervision system of pre-sales proceeds has been set up, measures shall be taken to promote the system. For

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areas where a supervision system of pre-sales proceeds has not been set up, the regulations on supervision of pre-sales proceeds shall be enacted as soon as possible. All of the pre-sales proceeds of commodity properties shall be put into custody accounts, which shall be supervised and managed by relevant regulatory authorities in order to ensure the proceeds to be used for commodity properties construction. Pre-sales proceeds may be allocated according to the construction progress, provided that adequate fund has been reserved for completion and delivery of the projects.

Sales after completion of commodity properties

Under the Sale Measures, commodity properties may be put to post-completion sale only when the following preconditions have been satisfied:

- (a) the real estate development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business license and a qualification certificate of a real estate developer;
- (b) the enterprise has obtained a land use rights certificate or other approval documents of land use;
- (c) the enterprise has obtained the construction project planning permit and the construction work commencement permits;
- (d) the commodity properties have been completed and been inspected and accepted as qualified;
- (e) the relocation of the original residents has been well settled;
- (f) the supplementary essential facilities for supplying water, electricity, heating, gas and communication have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; and
- (g) the property management plan has been completed.

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

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

REGULATORY OVERVIEW

Mortgage of Properties

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

Lease of Properties

Both the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the “**Urban Land Regulations**”) and the Urban Real Estate Law permit the leasing of granted land use rights and of the buildings or houses erected on the land. In December 2010, the MOHURD promulgated the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) (the “**New Lease Measures**”), which become effective on February 1, 2011, and replaces the Administrative Measures for Urban House Leasing (城市房屋租賃管理辦法). Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within 30 days after the execution of lease contract. In case of any change to the information of such registration and filing or any renewal or termination of the lease contract, the parties thereto shall go through the formalities with respect to the change, extension or cancelation of the registration and filing at the initial property administration authority which handled the registration and filing procedure within 30 days. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB10,000. According to the Urban Real Estate Law, rental income derived from any building situated on allocated land, or land which the landlord has acquired only allocated land use rights, shall be turned over to the State.

Under the Contract Law of the PRC (中華人民共和國合同法) promulgated by the NPC in March 1999, a leasing contract is a contract whereby the lesser delivers to the lessee the lease item for it to use or accrue benefit from, and the lessee pays the rent. The term of a leasing contract shall not exceed 20 years. If the lease term exceeds 20 years, the portion of the lease term beyond the initial twenty year period is invalid. At the end of the lease term, the parties may renew the lease, provided that the renewed term may not exceed 20 years commencing on the date of renewal. Where the lease term is six months or longer, the lease shall be in writing. If the parties fail to adopt a writing form, the lease is deemed an indefinite lease.

REAL ESTATE FINANCING

Loans to Real Estate Development Enterprises

In June 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Related Credit (關於進一步加強房地產信貸業務管理的通知). According to this notice, commercial banks shall focus on supporting real estate projects targeting at mid to lower income households and appropriately

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restrict the granting of real estate loans to projects for the construction of luxury apartments and houses. The notice provides that when applying for bank loans, a real estate development company shall contribute at least 30% of the total investment of the project from its own funds, and prohibits banks from advancing funds to real estate developers as working capital or for payment of land grant premiums.

In August 2003, the State Council published the Notice on Facilitating Sustained and Healthy Development of the Real Estate Market (國務院關於促進房地產市場持續健康發展的通知). This notice provides a series of measures to regulate the real estate market, including but not limited to enhancing the gathering and granting of public housing fund, perfecting the security of the housing loans and strengthening the supervision of real estate loans. The purpose of the notice is to create a positive influence on the long-term development of the real estate market in China.

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

In September 2007, the PBOC and the CBRC promulgated a Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知). Later the PBOC and CBRC promulgated a Supplementary Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的補充通知) in December 2017. Under these circulars, the PRC government has tightened the control over the loans from commercial banks to property developers in order to prevent from excessive credit granting of these banks. The measures include:

- (a) for commodity properties that has been vacant for three years, a commercial bank shall not accept them as collateral for a loan;
- (b) requiring banks to support funding needs of borrower purchasing their first small and medium self-occupied flat, and to grant loans only to individuals who have purchased flats the main structure of which have been topped out;
- (c) the minimum down payment for a first unit of self-occupied flat with a GFA of less than 90 sq.m. per unit shall not be less than 20%. The minimum amount of down payment for a first unit of self-occupied flat with a GFA of over 90 sq.m. per unit shall not be less than 30%. The minimum down payment for the second unit or more payable by an individual who has obtained a mortgage to purchase the first flat shall not be less than 40%, the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall significantly increase with the number of flats purchased;
- (d) commercial properties purchased by loans shall have been completed and passed completion acceptance inspection. The minimum down payment for commercial properties shall not be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC. For combined commercial and residential properties, the minimum down payment shall not be less than 45% and the term and interest rate shall be determined according to the administrative regulations of commercial property loans.

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

- (a) restricts from granting loans to property developers for the purpose of paying land grant premiums;

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

In May 2009, the State Council issued a Notice on Adjusting the Capital Ratio of Fixed Assets Investment Projects (關於調整固定資產投資項目資本金比例的通知). This notice provides that the minimum capital requirement for affordable housing and ordinary commodity apartments is 20% and the minimum capital requirement for other real estate development projects is 30%. These regulations apply to both domestic and foreign investment projects.

In January 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知). The Notice, among other things, provides that banks are restricted from granting loans to a property development project or property developer which is not in compliance with credit loan regulations or policies.

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

Housing Loans to Individual Buyers

In May 2006, the PBOC promulgated a Notice on Issues Regarding the Adjustment of Housing Credit Policies (關於調整住房信貸政策有關事宜的通知). This notice provides that, the down payment for an individual house bought through a mortgage loan shall not be lower than 30% of the purchase price from June 1, 2006. However, for houses purchased for self-residential purposes and with a GFA of less than 90 sq.m., the 20% down payment regulation still applies.

The Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知), promulgated in September 2007, provides that the down payment requirement applicable to a purchaser acquiring the second residential property shall not be less than 40% and the interests payable on these loans shall not be less than 1.1 times of the benchmark interest rate of the same kind and same term published by the PBOC. Under the Complementary Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的補充通知), for a member of a family (including the debtors, their spouses and their juvenile children) has purchased a house with the loans, any member of the family that purchases another house will be regarded as a second-time house buyer.

In October 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知), which provides that, effective from October 27, 2008, the float-down range for

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interest rate for individual residential mortgage loans is expanded and the ratio of down payments is adjusted. As a result, the minimum interest rate for individual residential mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%. Related matters are as follows:

- (a) Loan interest rate and down payment ratio that the financial institutions grant to their clients shall be determined based on the following factors: whether or not it is the first time for the borrower to buy the house, whether or not the house is used for self-occupancy, whether or not the house type and GFA conform to an ordinary residential house, and other risk factors such as the borrower's credit record and repayment capacity.
- (b) Financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents for their first purchase of ordinary self-occupied houses and improved ordinary self-occupied houses. For non-self-occupied houses and non-ordinary residential houses, financial institutions may properly raise the loan conditions.
- (c) As to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion thereof, in accordance with section 1 of this notice, on the basis of reasonable assessment of loan risks and according to the original loan contracts. The down payment ratio under the original loan contracts shall remain effective.
- (d) The policy that the borrower's monthly expenditure on repayment of housing loans shall not exceed 50% of his/her monthly income remains unchanged.

In December 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (國務院辦公廳關於促進房地產市場健康發展的若干意見). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self-occupied housing for the first-time by borrowing a mortgage loan shall enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first-time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self-occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the commercial banks shall determine the interest rate based on the benchmark interest rate and the banks' risk assessments.

The Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) issued in January 2010 provides that for the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to purchase the second residential house or more residential houses, the down payments of the loans shall be not less than 40% and the loan rates shall be strictly commensurate with the credit risks.

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

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In May 2010, the MOHURD, the PBOC and the CBRC jointly promulgated Circular on the Determination Criteria of Second Residential Property in Individual Commercial Housing Loan Applications (關於規範商業性個人住房貸款中第二套住房認定標準的通知). The circular lays down the determining criteria of a property being identified as an individual's second residential property in individual commercial housing loan applications. The circular provides that the number of residential properties owned by an individual loan applicant shall be determined with reference to the number of completed residential properties actually owned by the members of the family (including the individual loan applicants, their spouses and minor children) of the individual who plans to purchase another residential property with the use of individual commercial housing loan. The application or authorization of any individual commercial housing loan by an individual loan applicant shall be subject to checks on the loan applicants' residential property registry records through the property registration information system and the issuance of written results of such checks by the urban real estate competent authorities. The lender shall implement a differential credit policy for the individual loan applicants' second (or above) residential property in accordance with the number of residential properties owned by such applicants. The policy in this circular is also applicable to non-residents who can provide local tax clearance certificates or local social insurance payment certificates for one year or above.

The Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), issued in September 2010, raises the minimum down payment to 30% for all first-time home buyers with mortgage loans; and requires commercial banks in China to suspend mortgage loans to customers for their third or more residential property purchase, and non-local residents who are unable to provide documentation certifying payment of local tax or social security for longer than a one-year period. The Notice on Relevant Issues Regarding the Further Improvement of Differential Mortgage Loan Policies (關於進一步完善差別化住房信貸政策有關問題的通知), issued in September 2015, adjusts the minimum down payment to 25% for all first-time ordinary home households with commercial housing loans in cities where no "property purchase control" is implemented.

In November 2010, the MOHURD, the Ministry of Finance, the PBOC and the CBRC jointly promulgated the Circular on Regulations of Policies Concerning Individual Housing Provident Fund Loans (關於規範住房公積金個人住房貸款政策有關問題的通知) and regulations in relation to individual housing provident fund loans. The circular provides that individual housing provident fund loans shall only be used in purchasing, building, re-building and overhauling ordinary and privately used residential properties of laborers with the aim of meeting their basic needs for housing. The use of individual housing provident fund loans to carry out speculative purchase of properties is strictly prohibited. To purchase the first residential property for private use with individual housing provident fund loans, the down payment of the purchase shall not be less than 20% of the total purchase price for a property with a GFA less than 90 sq.m. (inclusive). For a property with a GFA more than 90 sq.m., the down payment shall not be less than 30% of the total purchase price. For the purchase of the second residential property, individual housing provident fund loans are only available to laborers whose families' per-capita gross floor area is lower than the local average, and the loans could only be used to purchase ordinary and privately used residential properties that help improve the living conditions of the laborers. The down payment for the purchase of the second residential property shall not be less than 50% of the total purchase price, and the interest rate of the loan shall not be less than 1.1 times of the interest rate for Individual Housing Provident Fund Loans in relation to the purchase of the first residential property during the same period. Individual housing provident fund loans are not available to laborers and their families for purchasing the third (or more) residential property.

Notice of the PBOC and the CBRC on Further Improving Housing Financial Services (關於進一步做好住房金融服務工作的通知), promulgated in September 2014 by the PBOC and CBRC, provides that as regards a household that borrows a loan to purchase the first ordinary owner-occupied residential property, the minimum down payment ratio of the loan shall be 30%, and the floor of the loan interest rate shall be 0.7 times the benchmark lending rate. Banking financial institutions shall determine the specifics in this regard. Where a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied

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property. In cities where the control measures on property purchase have been canceled or are not implemented, if a household that owns two or more existing properties for which the property purchase loans have been paid off applies for a new loan to purchase yet another new property, the relevant banking financial institution shall specifically determine the down payment ratio and the loan interest rate in a prudent manner based on the borrower's repayment capability, credit standing and other factors. A banking financial institution may, according to the local urbanization development planning, disburse housing loans to non-local residents who satisfy policy conditions.

According to the Notice on Matters concerning Individual Housing Loan Policies (關於個人住房貸款政策有關問題的通知), issued by the PBOC, the MOHURD and the CBRC in March 2015, where a household, which has already owned a home and has not paid off the relevant housing loan, applies for another commercial housing loan to purchase another ordinary house for the purpose of improving living conditions, the minimum down payment is adjusted to 40%; for working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first home, the minimum down payment shall be 20% of the house price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply, for the second time, for the housing provident fund loans for the purchase of an ordinary residential house as their second home in the interest of improving their housing conditions, the minimum down payment shall be 30% of the house price. According to the Notice on the Adjustment of the Minimum Down Payment for the Purchase of House by using Housing Provident Fund Personal Housing Loans (關於調整住房公積金個人住房貸款購房最低首付款比例的通知), issued by the MOHURD, the Ministry of Finance and the PBOC in August 2015, for households that have already owned a home and have paid off the corresponding home loans, when they apply, for the second time, for the housing provident fund loans for the purchase of an ordinary residential house as their second home in the interest of improving their housing conditions, the minimum down payment shall be adjusted from 30% to 20% of the house price.

According to the Notice on Matters concerning the Adjustment of the Personal Housing Loans Policies (關於調整個人住房貸款政策有關問題的通知), issued by the PBOC and CBRC in February 2016, in cities where no “property purchase control” is implemented, the minimum down payment for all first-time ordinary home households with commercial housing loans shall be 25% in principle, and may be lowered by up to 5% by local governments; where a household, which has already owned a home and has not paid off the relevant housing loan, applies for another commercial housing loan to purchase another ordinary house for the purpose of improving living conditions, the minimum down payment is adjusted to 30%.

MEASURES ON STABILIZING HOUSING PRICES

In March 2005, the General Office of the State Council promulgated the Notice on Effectively Stabilizing House Prices (關於切實穩定住房價格的通知) to restrain the excessive increase of housing prices and to promote the sound development of the real estate market. The notice provided that housing prices should be stabilized and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council, including the Ministry of Construction, issued the Opinion on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) in April 2005. The opinion stated, among other things, that

- (a) local governments should focus on ensuring the supply of low to medium end ordinary residential houses while controlling the construction of low density and high end residential houses;
- (b) ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies;

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- (c) to curb any speculation in the real estate market, the business tax would be levied from June 1, 2005 on the total revenue arising from any transfer by individuals of residential houses within two years from their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses by individuals after two or more years from their initial purchase thereof; and
- (d) the real estate registration department will no longer register the transfer of pre-sold houses before the buyers obtain the relevant property ownership certificates.

In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

In May 2006, the General Office of the State Council forwarded the Notice on Adjusting the Housing Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The notice provided for the following broad directives to, among other things:

- (a) encourage mass-market residential developments and curb the development of high-end residential properties;
- (b) enforce the collection of the 5% business tax on property sales (business taxes shall be levied on the entire sale price of any property sold within five years, or on the profit arising from any property sold after five years subject to possible exemptions for ordinary residential properties);
- (c) restrict housing mortgage loans to not more than 70% of the total property price (for houses purchased for self-residential purposes and with a GFA of less than 90 sq.m., the owners are still able to apply for a housing mortgage up to an amount representing 80% of the total property price);
- (d) halt land supply for villa projects and restrict land supply for high-end and low-density residential projects;
- (e) moderate the progress and scale of demolition of old properties for re-development; and
- (f) prevent banks from providing loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project, restrict the extension of loans and the grant of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for their loans.

In July 2006, the Ministry of Construction promulgated Certain Opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見) (the “**New Opinions**”). The New Opinions stipulated that, the residential units with a GFA of less than 90 sq.m. shall account for over 70% of the total area of residential units, which are newly approved and constructed in each city or county after June 1, 2006. The relevant local government shall have the authority to determine the configuration of newly constructed property.

Pursuant to the Opinions on Solving Housing Shortage for Urban Low-income Households (關於解決城市低收入家庭住房困難的若干意見) promulgated by the State Council in August 2007, each local authorities shall adjust the housing supply structure in order to: (i) implement the Notice of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Ministries on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices

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(國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知); (ii) focus on the development of low to medium priced, and small to medium sized commodity housing; and (iii) increase the supply of housing. The approval percentage of new housing construction (with a GFA of less than 90 sq.m.) shall be more than 70% of the total housing development area. The annual supply of low rental housing construction land, economy-sized housing and low to medium priced and small to medium sized commodity housings shall not be less than 70% of the total residential housing land.

Pursuant to the Notice on Implementation of the Opinions of the State Council on Solving Housing Shortage for Urban Low-income Households to Further Adjust Land Supply (關於認真貫徹〈國務院關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知) promulgated by Ministry of Land and Resources in September 2007 and amended in December 2010, the administration department of the Ministry of Land and Resources at both municipality and county levels shall give priority to arranging land supply for low rental housing, economy-sized housing and low to medium priced and small to medium sized commodity housing. The annual supply volume shall not be less than 70% of total residential land supply.

In January 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知), which provides that, among other things, land resource authorities shall deepen the supervision on the compliance of the contracts and strictly collect the land premiums according to the land grant contracts, and shall:

- (a) effectively increase the supply of social welfare housing and ordinary commodity residential properties, in particular, low to medium priced and small to medium sized ordinary commodity residential properties;
- (b) direct consumers to make reasonable purchases of residential properties and discourage investment and speculation in the housing market;
- (c) strengthening credit risk management for real estate projects and market supervision;
- (d) speeding up the construction of social welfare housing projects; and
- (e) setting or clarifying the responsibilities of provincial and local governments.

In March 2010, the Ministry of Land and Resources issued the Notice on Strengthening the Supply and Supervision of Land Use for Real Estate Property (關於加強房地產用地供應和監管有關問題的通知). The notice, among other things, provides that:

- (a) the land and resources bureau at city and county levels shall ensure that the land supply for government-subsidized housing, slum-dwellers reconstruction and small commercial housing units for self-housing shall not be less than 70% of the total residential land supply and strictly control the land supply for large-sized apartments and restrict the land supply for villas;
- (b) land resource authorities shall prohibit property developers who owe land grant premium payments, possess idle land, engage in land speculation and price manipulation, conduct project development exceeding approved scope or fail to conform with the land use rights grant contract from land bidding transactions within a set period of time; and
- (c) the land use rights grant contract shall be executed within ten days after a grant of land has been mutually agreed and a down payment of 50% of the land grant premium shall be paid within one month from the execution of the land use rights grant contract with the remaining amount paid no later than one year after the execution of the land use rights grant contract.

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In September 2010, the Ministry of Land and Resources and the MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that:

- (a) at least 70% of land designated for construction of urban housing shall be used for affordable housing, housing for resettlement of shanty towns and small to medium sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium sized, price-capped housing shall be increased;
- (b) developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of certain misconduct, including (i) illegal transfer of land use rights; (ii) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (iii) non-compliance with the land development requirements specified in land grant contracts; and (iv) crimes such as obtaining land by forging official documents and illegal land speculation;
- (c) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement;
- (d) development and construction of projects of low-density and large-sized housing shall be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects shall be more than one; and
- (e) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Estate Land and Promotion of the Healthy Development of Land Markets (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which, among other things, provides that (i) cities and counties that have less than 70% of their land supply designated for affordable housing, redevelopment housing for shanty towns or small to medium sized residential units shall not provide land for large-sized and high-end housing until the end of 2010; (ii) local land and resources authorities shall file a transaction report with the Ministry of Land and Resources and provincial land and resources authorities, respectively, in relation to land sold via competitive bidding, auction and listing-for-sale with a 50% or more premium; and (iii) for land designated for affordable housing but used for the development of commodity houses, any illegal income derived therefrom will be confiscated and the relevant land use rights will be revoked. In addition, unapproved changes to the plot ratio are strictly prohibited.

In January 2011, the General Office of the State Council issued the Notice on Issues Concerning Further Improvement of the Control on Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知). This notice, among other things, provides that:

- (a) individuals selling housing properties within five years of purchase shall be charged business taxes on the full amount of sale price, whether ordinary or non-ordinary;
- (b) the minimum down payment for second home purchases increases from 50% to 60%;
- (c) a property developer, who fails to obtain the construction work commencement permit and commence development for more than two years from the commencement date stipulated in the land grant contract, shall forfeit the land use rights and the PRC government shall impose an idle land fee of up to 20% of the land premium on such property developer; and

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- (d) municipalities directly under the central government, municipalities with independent planning status, provincial capitals and cities with high housing prices shall limit the number of homes local residents can purchase in a specific period. In principle, local resident families that own one house and non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for a required period are permitted to purchase only one additional house (including newly built houses and second-hand houses). Sales of properties to (i) local resident families who own two houses or more; (ii) non-local resident families who own one house or more; and (iii) non-local resident families who cannot provide local tax clearance certificates or local social insurance payment certificates for a required period shall be suspended in local administrative regions.

In February 2013, the General Office of the State Council issued the Notice on Continuity to Well Manage the Control Work of the Real Estate Market (關於繼續做好房地產市場調控工作的通知), which stipulates the following:

- (a) improving the mechanism of work responsibility of stability of the real estate price, measures including requiring the relevant departments under the State Council to strengthen the supervision and inspection of the stability of prices. The provincial people's government shall conduct interviews if local governments in its jurisdiction fail to implement housing purchase restrictions;
- (b) sticking to suppress the investment purchasers, measures including continuing to implement and improve the purchase restriction measures; using the effect of tax to adjust the real estate price. The taxation department and the housing and urban-rural development department shall work closely together to impose personal income tax on the sales of self-owned houses. A tax rate of 20% on the proceeds from the transfer shall be strictly levied upon verification of the value of the houses based on tax collection and housing registration data;
- (c) increasing the land supply for residential commercial properties, measures including that the total land supply for residential land in 2013 in principle shall be no less than the average land supply in the past five years; if the number of small and medium sized units of a general commodity housing project accounted for more than 70% of the total units to be constructed, the banking financial institutions shall give priority to the financing need of the development of the project subject to credit conditions;
- (d) accelerating the planning and construction of affordable housing project, fully implementing the task of building 4.7 million units, constructing 6.3 million new sets of affordable housing projects in 2013; and
- (e) improving the market supervision and anticipation management; strengthening the administration on the credibility of real estate development enterprises; studying the establishment of shared credit management system among housing and urban construction, development and reform, land and natural resources, finance, taxation, industry and commerce, statistics and other departmental; timely recording and releasing the illegal behavior of the real estate enterprises. For enterprises setting up extraordinarily high prices for the pre-sales commodity properties and accepting no price guidance from the relevant urban housing construction authorities, or having not established pre-sales proceeds supervision mechanism for commodity properties projects, pre-sales permit shall not be issued. If real estate enterprises have idle land or conduct activities such as land speculation, keeping the properties off the market, driving up prices and other illegal acts, the relevant departments shall establish a linkage mechanism and intensify the relevant punishments. The Land and Resources Department shall prohibit the enterprise to participant in land bidding, the financial institutions shall not grant new loans for development projects, the securities regulatory authorities shall suspend the approval of its listing, refinancing or significant asset restructuring and the banking supervision departments shall prohibit the enterprises from financing through trust scheme.

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ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and the Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (建設項目竣工環境保護驗收管理辦法), Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (中華人民共和國固體廢物污染環境防治法) and Decision of the State Council on Several Issues Concerning Environmental Protection (國務院關於環境保護若干問題的決定). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, a developer shall submit an environmental impact analysis table or an environmental impact registration form before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, a construction enterprise shall file an application with the relevant environmental authorities. The relevant environmental authorities will also inspect the project to ensure compliance with the applicable environmental standards and regulations before the project can be delivered to the purchasers.

FIRE PROTECTION

Several laws and regulations specific fire protection in real estate development, including Fire Protection Law of the PRC (中華人民共和國消防法) and Provisions of Supervision and Management of Fire Protection Construction (建設工程消防監督管理規定). According to such laws and regulations, a real estate project shall get approval from or filing with relevant public security and fire protection authorities for fire protection design before the construction is started and subject to a fire protection as-built acceptance inspection.

PROPERTY MANAGEMENT ENTERPRISES

Enterprises that conduct property management businesses shall establish a qualification management system pursuant to relevant provisions under the Property Management Regulations (物業管理條例) (implemented in September 2003 and revised in August 2007). Pursuant to relevant provisions under the Measures on Property Service Enterprises Qualification Management (物業服務企業資質管理辦法) which was implemented in May 2004 and revised in November 2007, a newly-established property service enterprise shall apply for the qualification by submitting the relevant documents to competent property departments of the people's government of the municipalities directly under the central government and cities with special development zones where its business has been registered within 30 days after the receipt of its business license. Qualification examination and legal authority shall approve and issue the qualification certificate of corresponding levels based on the actual conditions of enterprises.

Pursuant to the Measures on Property Service Enterprises Qualification Management (物業服務企業資質管理辦法), qualification of property service enterprises shall be classified into Level I, Level II and Level III in accordance with their registered capital, the professional personnel they employ, the scales and types of the property service they provide, performance and operating results, etc. Newly established property service enterprises shall be classified into the lowest level, the term of validity of which is one year. In accordance with the Reply on Relevant Issues Concerning Performing the Measures on Property Service Enterprises Qualification Management (關於執行〈物業管理企業資質管理辦法〉有關問題的覆函), in the event that the newly established property service enterprises fail to provide property service within one year, such qualification shall become invalid; Otherwise, the property service enterprises may apply for assessment for Level III or higher level qualification.

The construction department of the State Council is responsible for the issue and management of Level I qualification certificates of property service enterprises. Construction departments under the people's

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government of provinces and autonomous regions are responsible for the issue and management of Level II qualification certificates. Real estate construction departments under the people's government of municipalities directly under the central government are responsible for the issue and management of Level II and Level III qualification certificates, which are subject to the guidance and supervision of the construction departments of the State Council. Real estate construction departments of the cities with special development zones are responsible for the issue and management of Level III qualification certificates, which are subject to the guidance and supervision of the construction departments of the State Council.

Property service enterprises with Level I qualification are allowed to undertake different kinds of property management projects. Property service enterprises with Level II qualification are allowed to undertake residential and non-residential property management projects of not more than 300,000 sq.m. and 80,000 sq.m. respectively. Property service enterprises with Level III qualification are allowed to undertake residential and non-residential property management projects of not more than 200,000 sq.m. and 50,000 sq.m. respectively.

Pursuant to the Catalogs of Industries for Guiding Foreign Investment (as amended in 2015) (外商投資產業指導目錄(2015修訂)), property management services fall into such categories which foreign investment is permitted.

In accordance with the relevant regulations of Property Rights Law of the PRC (中華人民共和國物權法) and Property Management Regulations (物業管理條例), selection and engagement of property service enterprises shall have the consent of not less than half of the total number of owners while the gross floor area in the exclusive possession of such owners shall not be less than half of the total gross floor area of the property. In the event that the construction department has selected the property service enterprise prior to the owners' engagement of property service enterprise at the meeting of owners, a preliminary property management contract shall be signed.

PARKING LOTS MANAGEMENT

In October 1988, the Ministry of Public Security and the Ministry of Construction promulgated the Interim Provisions on the Construction and Management of Parking Lots (停車場建設和管理暫行規定), which was implemented in January 1989. The abovementioned provisions allow public parking lots and parking lots reserved for certain people that are also equipped to serve general vehicles to charge for parking management fees. Pursuant to the Administrative Measures on Parking Lots for Motor Vehicles of Chengdu (成都市機動車停車場管理辦法) which was promulgated in June 2008 and implemented in August 2008, public parking lots which have passed the acceptance inspection shall file with the local transportation administrative departments. For parking lots that provide commercial parking service for profits, the public parking lots shall apply and obtain the approvals with regard to charging from the price administrative departments, and shall then collect the parking service fees in accordance with such approvals.

PRC TAXATION

Land Appreciation Tax

Under the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) promulgated by the State Council in December 1993 and amended in January 2011, and its implementation rules, LAT, applies to both domestic and foreign investors, irrespective of whether they are corporate entities or individuals. LAT is payable on the appreciation in value representing the balance of the proceeds received on sales, after deducting various prescribed items. LAT is charged at progressive rates ranging from 30% to 60%. Apart from the aforementioned deductible items, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and the construction of new buildings or related facilities. An exemption from payment of LAT

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may be available if the taxpayer constructs ordinary residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC laws. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, such exemption will not be applicable and the taxpayer will be liable to LAT on the full appreciation amount, after taking account of the allowable deductions. The allowable deductions include the following items:

- (a) the sum paid for the acquisition of land use rights;
- (b) costs and expenses for the development of land;
- (c) costs and expenses for the construction of new buildings and facilities, or the assessed value for used properties and buildings;
- (d) taxes related to the transfer of real estate; and
- (e) other deductible items as stipulated by the Ministry of Finance.

LAT is charged at progressive rates ranging from 30% to 60% of the appreciation value (i.e. the balance as described above).

<u>Appreciation value</u>	<u>LAT rates</u>
	(%)
For the portion not exceeding 50% of allowable deductions	30
Over 50% but not more than 100% of allowable deductions	40
Over 100% but not more than 200% of allowable deductions	50
Over 200% of allowable deductions	60

An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC laws.

In December 2006, the SAT promulgated the Notice on the Administration of the Settlement of Land Appreciation Tax on Real Estate Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知), which became effective in February 2007. According to the notice, the LAT should be settled based on the property development project as a unit as approved by the relevant authority. For a project developed in stages, the LAT should be settled based on each individual stage of the project.

PRC Deed Tax

Under the Interim Regulations of the PRC on the Deed Tax (中華人民共和國契稅暫行條例) which was promulgated by the State Council and took effect in October 1997, deed tax applies to entities and individuals that accept the transfer of land use rights and building ownership within the territory of China. The transfer of land use rights and building ownership refer to the following acts:

- (a) assignment of the right to use the state-owned land;
- (b) transfer of land use rights, including the transfer by means of sale, gift and exchange, excluding the transfer of the right contract for the management of rural collective land;
- (c) purchase and sale of houses;

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- (d) gift of houses; and
- (e) exchange of houses.

According to the Implementation Rules of Provisional Regulation concerning Title Deed Taxes (中華人民共和國契稅暫行條例細則), issued by the Ministry of Finance in October 1997, a deed tax is chargeable to transferees of land use rights and/or property ownership within the territory of China.

The rate of deed tax will, within the range of 3%-5%, be determined by the PRC government agencies of provincial, autonomous region or municipal level in light of the actual conditions of the underlying properties in respective areas and shall be reported to the Ministry of Finance and the SAT.

The deed tax may be reduced or exempted under the following circumstances:

- (a) For the acceptance of land and houses by state agencies, institutions, social organizations and military units for office, teaching, medical service, scientific research and military facilities, the deed tax will be exempted;
- (b) For the initial purchase of state-owned residential houses by urban and township workers and staff members according to the relevant laws and regulations, the deed tax will be exempted;
- (c) For the purchase of residential houses in replacement of houses damaged or destroyed due to force majeure, the tax may be reduced or exempted upon approval; and
- (d) Any other types of reduction or exemption provided by the Ministry of Finance.

Reduction or exemption of deed tax will not be applicable if the relevant land or house and the change of use is no longer within the above scope, and an amount of tax equivalent to the tax reduction or exemption shall be repaid.

On September 29, 2010, the Ministry of Finance, the Ministry of Construction and the State Administration of Taxation promulgated the Notice on the Adjustment of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transactions (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that deed tax rate is reduced to 1% for first-time individual buyer who purchases an ordinary residential property with a GFA of less than 90 sq.m. as the family's sole property.

In February 2016, Ministry of Finance, SAT and MOHURD issued a Notice on Adjustment to the Preferential Policies on Deed Tax and Business Tax with respect to Real Estate Transactions (關於調整房地產交易環節契稅、營業稅優惠政策的通知). According to this notice, deed tax shall be levied at the reduced rate of 1% on an individual who purchases a house of 90 sq.m. or below that is the only housing belonging to the family (members include the purchaser, spouse and minor children), where such a house is larger than 90 sq.m., deed tax shall be levied at the reduced rate of 1.5%. Furthermore, apart from Beijing, Shanghai, Guangzhou and Shenzhen, this notice provides that deed tax shall be levied at the reduced rate of 1% on an individual who purchases a second family house of 90 sq.m. or below for the purpose of improving living conditions for the family, where such a house is larger than 90 sq.m., deed tax shall be levied at the reduced rate of 2%.

Real Estate Tax

Before January 1, 2009, there are two parallel tax systems in China for enterprises that conduct real estate development and investment business in China. Such tax applicable for domestic enterprises, organizations and

REGULATORY OVERVIEW

individuals is real estate tax which is calculated on the remaining original book value of the real estate after 10% to 30% deduction of the original book value depending on where the real estate is located, at a rate of 1.2%, or on the rental income derived by the real estate at a rate of 12% according to the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986 and amended on January 8, 2011. While foreign invested enterprises, foreign enterprises and foreign individuals are required to pay urban real estate tax on land and buildings that they own in the urban areas of China, according to the Provisional Rules on Urban Real Estate Tax of the People's Republic of China (中華人民共和國城市房地產稅暫行條例) promulgated by the State Council on August 8, 1951, the urban real estate tax is charged at a rate of 1.5% annually based on standard prices for property or 15% annually based on rental income.

By issuance of PRC State Council Order 546 (中華人民共和國國務院令2008第546號) on December 31, 2008, the State Council unifies the two parallel real estate tax systems by abolishing the urban real estate tax. Starting from January 1, 2009, all enterprises, organizations and individuals that own or use real estate in China shall subject to real estate tax by using the calculation method as mentioned in the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986.

Value-added Tax and Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective on January 1, 1994 and were subsequently amended on November 10, 2008, and its Implementation Rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax.

On March 23, 2016, the State Council promulgated the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which became effective from May 1, 2016. According to this circular, upon approval of the State Council, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax from the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

According to the Measures for Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《營業稅改徵增值稅試點實施辦法》) which became effective on May 1, 2016, entities and individuals conducting business in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay value-added tax instead of business tax.

In November 2017, the State Council issued a decree for publishing a circular to amend the former interim value-added tax regulations and abolishing the business tax. According to the new regulations, all units and individuals engaging in the sale of goods; provision of processing, repairs and replacement services, sales services, intangible properties and real estate; and the importation of goods within the territory of the PRC are taxpayers of value-added tax, and therefore should pay value-added tax in accordance with the laws and regulations.

B. REGULATORY OVERVIEW OF THE ENGLAND AND WALES PROPERTY INDUSTRY

Property Ownership

There are no nationality restrictions on land ownership, whether as individuals or corporate entities.

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There are two ways in which a property can be held in the England and Wales, namely freehold and leasehold:

- (a) A freehold estate is an interest in land which provides the holder of the estate with rights of absolute ownership.
- (b) A leasehold estate is an interest in land which provides the holder of the estate with rights of possession and use of the land but not absolute ownership of the land. The landlord or lessor who grants out of the freehold land the tenancy or lease to the leaseholder retains the freehold interest. The leaseholder is referred to as the tenant or lessee.

There can be multiple layers of leasehold estates granted out of a freehold estate, thereby creating a chain of leases. For example, the freeholder may grant a headlease to a head-tenant who in turn may grant an underlease to an undertenant who in turn may grant a sub-underlease to a sub-undertenant, and so on.

On very rare occasions and pursuant to a compulsory purchase order, the U.K. government may appropriate a property located in England or Wales by paying the owner of the estate an appropriate amount as compensation.

Land Registry and Registration

The system of land registration in England and Wales is administered by HM Land Registry, a quasi-governmental body which has regional offices throughout England and Wales and operates in accordance with statutory powers granted by the U.K. government.

Any person or entity with separate legal personality can be registered as the proprietor of a registered title in England and Wales. Individual registered titles are granted in respect of the freehold interest in the land and of leasehold interests for a term of seven or more years.

Transfers of freehold land, dealings with leases with terms of seven or more years, and all financial charges over land should be registered in order to be fully enforceable. Other property rights and interests that are capable of being registered include rights over land, restrictive covenants, easements, options and contracts for sale.

The Land Registry no longer issues formal title deeds since the land registers are open to public inspection. Accordingly, the entries at the Land Registry are regarded as sufficient proof of ownership. Upon application, the Land Registry will issue an official copy of the entries relating to any given property. Such official copy comprises the following:

- (a) The Property Register describes the property and any appurtenant rights.
- (b) The Proprietorship Register shows the name and address of the registered proprietor.
- (c) The Charges Register shows any encumbrances (including mortgages) that may affect the property. If the property is subject to leases that are registrable, then such leases will usually be listed in a Schedule of Leases that forms part of the Charges Register.
- (d) The File Plan shows the location and boundaries of the property, usually edged in red.

There are two main categories of registered title:

- (a) Absolute title is the best form of title and applies to most registered titles.

REGULATORY OVERVIEW

- (b) Possessory title implies that, upon application to the Land Registry, the applicant could not deduce a satisfactory paper or documentary title to the property in question notwithstanding that the applicant is, in fact, in actual occupation or possession of the land in question.

Further to the above forms of title, there is an additional category for leasehold land known as “good leasehold” title. This form of title is usually granted where the tenant applicant cannot deduce the freehold title from which the lease is derived.

It is also possible for third parties to register certain notices against registered titles without the consent of the registered proprietor of the title in question. Such notices are often used to protect third parties who believe that they have an interest in the property or the proceeds of sale.

Stamp Duty Land Tax (“SDLT”)

SDLT is a compulsory tax charged to the transferee in an acquisition of a “chargeable interest” in land (i.e. the tenant in a grant of a commercial lease or the purchaser in a transfer of the freehold). The transferee is liable to pay SDLT regardless of his or her tax residence.

SDLT is payable to HM Revenue & Customs (“HMRC”)

SDLT is chargeable by reference to the amount or value of “chargeable consideration” which the transferee pays (which includes any VAT due on the consideration). Liability to pay SDLT may arise in certain circumstances even if no consideration of monetary value passes between the transferor and transferee, in which case the chargeable consideration for a transaction will be considered to be the market value of the interest acquired.

The transferee must submit a land transaction return within 30 days of the “effective date” of the transaction, which will typically be the date of the lease or deed of transfer, although this can vary. The transferee may calculate the SDLT payable by using the HMRC SDLT calculator which is available online.

SDLT on the Grant of a Commercial Lease

Where there is rent consideration payable under the lease, SDLT is charged on the net present value (“NPV”) of the rent payable (including VAT if due to be paid) over the term of the lease. The NPV is the current value of the rents that will be paid in future under the lease. A discount rate of 3.5% is applied to the rents payable in each year of the lease (including the rent payable in the first year) to reflect the fact that rents to be received in the future have a lower value than rents received today.

In relation to commercial property, SDLT is charged on the NPV at the below rates. A “slice system” is used so that the first £150,000 is charged at 0%. Therefore, if the NPV is £200,000, the tax due is £500, that is, 1% of £50,000 (£150,000 – £200,000).

<u>NPV</u>	<u>Rate</u>
£0 to £150,000	0%
Over £150,000 but not more than £5 million	1%
Over £5 million	2%

In the event that the lease reserves payment of a one-off, up-front sum (a premium), SDLT is also chargeable on the premium but at a different rate.

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SDLT on Acquisition of Freehold Land

The chargeable consideration in respect of a transfer of freehold land is any consideration given in money or money's worth (including VAT if due to be paid). Chargeable consideration may also include the market value of any service obligations in connection with the transfer and any fixtures on the land.

SDLT on the acquisition of non-residential or mixed use freehold property also uses a "slice system" at the below rates. For example, if the chargeable consideration paid is £300,000, the SDLT due will be £4,500 comprised of (i) 0% on the first £150,000, (ii) £2,000 as 2% of £100,000 (£150,000 – £250,000) and (iii) £2,500 as 5% of £50,000 (£250,000 – £300,000).

<u>Chargeable consideration</u>	<u>Rate</u>
£0 to £150,000	0%
Over £150,000 but not more than £250,000	2%
Over £250,000	5%

Note that different rates of SDLT apply to residential property transactions.

Form of Lease

Commercial lease provisions are generally unregulated and freely negotiable. However, there is a broadly recognized format for commercial leases and a number of industry guidelines have been published which recommend certain standard provisions.

A lease dated on or after June 19, 2006 and granted for a term in excess of seven years must contain certain Land Registry prescribed clauses at the beginning of the lease. Submitting a lease to the Land Registry which does not include these completed prescribed clauses may result in rejection of the tenant's application to register the lease or incomplete registration of the rights contained within the lease.

The Code for Leasing Business Premises in England and Wales 2007 (the "Code") contains statements which are intended to be used as a checklist for lease negotiations. Although compliance is voluntary, in practice many landlords will prefer to enter into leases which broadly follow the Code. The Code covers the following areas:

- (a) length of term and break clauses;
- (b) rent review;
- (c) assignment and subletting;
- (d) service charge;
- (e) repairs;
- (f) alterations and changes of use;
- (g) insurance; and
- (h) ongoing management.

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There is legally no maximum term for which a lease can be granted, although lease terms must not be infinite. Most commercial leases have a term of between five and 15 years. However, in some industry sectors, such as the leisure sector, longer leases of 35 years are often the norm.

Extending or Renewing a Lease

Pursuant to the provisions of the Landlord and Tenant Act 1954 (the “**1954 Act**”), the tenant of a commercial or business lease in England and Wales has “security of tenure”, i.e. the right to a renewal lease at the end of the term granted by the initial lease.

The parties are free to negotiate the terms of the renewal lease. However, if they cannot agree the rent, the term or any other terms of the renewal lease, either party can make an application to court. The court has the power to order the grant of a new lease and has discretion as to its terms, considering what is reasonable in all the circumstances. The court will usually direct that the renewal lease be granted for a maximum term of 15 years on substantially the same terms as the original lease and at the market rent prevailing at the time the lease is granted.

The landlord may object to a renewal but must demonstrate to the court’s satisfaction that the renewal should not be granted pursuant to certain statutory exceptions (for example, that the landlord intends to demolish or reconstruct the premises or to occupy the premises for its own business at the end of the term).

Alternatively, the parties to a lease may agree to exclude the security of tenure protection afforded by the 1954 Act. If so, the landlord is not obliged to renew the lease and the lease will expire at the end of its term.

There is no limit on the number of times that a commercial lease can be renewed under the 1954 Act provided that the parties do not exclude the statutory right under the 1954 Act in any lease renewal.

Terminating a Lease

The parties to a lease may negotiate formal break or termination rights under the lease. Such rights can be mutual or available to one party only. In the absence of any contractual right to terminate the lease, a tenant will in principle have no ability to bring the lease to an end prior to its contractual term. Nevertheless, the tenant may approach the landlord to negotiate a surrender of lease by paying a one-off fee to the landlord to bring the lease to an end prior to the expiry of its term.

A landlord may terminate or forfeit a lease in the event of a breach of covenant by the tenant or upon the tenant’s insolvency, subject to the terms of the relevant lease. There is a formal procedure to be followed in relation to such termination and it is open to the tenant or any other interested party (such as a subtenant or a mortgagee) to apply to the court for relief from forfeiture of the lease. On such application, the court will consider the relative merits and commercial interest of the parties in deciding whether or not to grant such relief.

Payment of Rents and Rent Review

Rental collection is typically made through invoices sent to the tenant for the relevant payment term. The parties to a lease are free to set the rent in currencies other than sterling but such arrangements are unusual. Traditionally, rents are paid quarterly in advance on the usual English quarter days of March 24, June 24, September 29 and December 25. However, it is open to the parties to negotiate different timings for the payments of rent.

In a typical commercial lease, the rent is reviewed at regular five-yearly intervals on an upward-only basis, which means that the rent passing can never be less than the rent agreed at the outset of the term.

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Traditionally, such rent reviews are carried out on an open market basis with certain agreed assumptions and disregards. However, in recent years, there has been a movement toward fixed rental increases or, possibly, the higher of a fixed rental increase (usually linked to the increase in the Retail Prices Index) or the open market rent at the time of review. There are currently no limits to the increase in rents of commercial leases.

Transferring a Lease

There are usually very detailed provisions as to the ability of a tenant to assign or sublet a lease but it is rare that there is a total prohibition against such assignment and underletting.

The landlord is required to act reasonably when considering the tenant's request to assign or sublet a lease and must not unreasonably withhold or delay such consent. There are statutory provisions that entitle the tenant to apply to court if it believes that the landlord has either acted unreasonably in refusing consent or has unreasonably delayed the grant of its consent.

Damage or Destruction of Leased Premises

Whilst this is a matter for negotiation between the landlord and tenant, it is common for a lease to provide that, if the premises are substantially damaged or destroyed by an "insured risk" (i.e. a risk in respect of which the landlord has taken out insurance), then the tenant is relieved from its obligations to pay the rent for a period of up to three years, during which time the landlord is obliged to rebuild or reinstate the premises in order to allow the tenant to resume its occupation. Accordingly, the landlord will usually take out loss of rent insurance, the premium for which is met by the tenant as part of the service charge.

In circumstances where a landlord is unable to rebuild the premises after the agreed period, then it is usual for both parties to have an ability to determine the lease by giving notice to the other.

In cases where the damage has been caused by an "uninsured risk" (i.e. a risk in respect of which the landlord has not taken out insurance), leases are often silent and it is for the parties to negotiate an exit route. It is recommended that the parties address the issue of uninsured risk at the outset and that the lease should terminate in the event of damage by an uninsured risk unless the landlord notifies the tenant that it intends to rebuild or reinstate the premises within a specified period of three years. If the landlord makes such an election, then the lease continues but the tenant is not obliged to pay any rent.

The landlord is usually responsible for insuring the leased premises and recovers the cost from the tenant as part of the service charge.

Planning Issues

Land development and regulation is primarily governed by statutory legislation, which in turn empowers various bodies with the relevant authority to grant permission to develop land.

In the case of land development, the main body with powers to regulate development is the local planning authority for the relevant area (usually the local district council), although there is a separate central government body which oversees large infrastructure-type projects. In London, the Greater London Authority and the Mayor's office also have an overarching role in relation to developments of "potential strategic importance."

The principal permit required to either build property or use land in a particular way is a planning permission (which, as noted above, is usually authorized by the local planning authority for the relevant property). Virtually all building work also requires building regulation consent, which is again controlled by the relevant local authority.

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Specific uses of property by an occupier may also give rise to the requirement for further permits. In particular, the use for the sale of alcohol or operation of a property as a restaurant will usually require a premises and/or restaurant license, as well as potentially requiring food hygiene permits.

Tax Regime on Rental Income and Acquisition and Disposal of Properties

The tax regime for commercial properties are set out as follows:

- rental income: a non-U.K. resident company is liable to pay U.K. income tax at the rate of 20% of its rental income net of allowable expenses. Tenants are required to withhold 20% of their gross rental payments. Either the tenant or an agent will pay the tax to the U.K. tax authority (HMRC). The non-U.K. resident company can make an application to HMRC to receive the rent free of withholding tax under the Non-resident Landlord Scheme but if it does so, it would still need to file an income tax return in respect of the income tax due on the net rental income;

From April 2020, the tax regime for rental income will be changed so that rental income of non-U.K. resident companies will be taxed under the corporation tax regime. The current rate of tax under the corporation tax regime is 19% but is scheduled to reduce to 17% in 2020. This change will mean that corporation tax rules governing (a) the amount of interest that can be deducted from taxable income, and (b) the set-off and carry-forward of losses will apply in the same way as they do to U.K. resident companies;

- acquisition of properties: stamp duty land tax is payable on the acquisition of commercial property at increasing rates depending on the amount of consideration:

<u>Amount of consideration</u>	<u>Stamp duty land tax rate (%)</u>
not more than £150,000	0
more than £150,000 but not more than £250,000	2
more than £250,000	5

There are some reliefs available, such as for acquisitions from another group member;

- disposal of properties: direct or indirect disposals of commercial property by non-U.K. resident companies are not subject to capital gains tax or corporation tax.

From April 1, 2019, the tax on disposal of properties will be changed so that gains attributable to increases in value from April 1, 2019 will be subject to corporation tax. The charge will apply to direct sales of property and to disposals of shares in “property-rich” companies in which the non-resident companies has a 25% or greater interest.

Environmental Issues

The principal body overseeing the issue of environmental regulation is the Environment Agency, although in some cases the local district council for the relevant property will also have powers of regulation.

The principal statute governing environmental issues in relation to real estate in England and Wales is the Environmental Protection Act 1990 which creates a regime related to contaminated land. However, there are numerous other statutes dealing with specific aspects of land that either supplement the Environmental Protection Act or create standalone regimes in their own right, dealing with such issues as asbestos, pollution prevention and control, waste, water pollution, protection of wildlife and habitats, and carbon reduction.

REGULATORY OVERVIEW

The broad principle under the Environmental Protection Act 1990 is that the person who caused any relevant contamination has the primary responsibility for cleanup. However, the land owner from time to time also has a co-existent liability (which may be enforced if the actual polluter cannot be found) simply through ownership of the land. Some form of environmental risk assessment is almost always therefore required on the acquisition of a property in England and Wales and appropriate indemnities should be included in any contract for the sale of land.

In general, there are no minimum energy performance requirements for existing buildings although there are increasingly detailed requirements for new buildings (which are enforced through the building regulation regime). Legislation has also been introduced in the last few years, which requires energy performance certificates (giving details of a building's energy efficiency) to be provided to a purchaser and/or tenant on any transactional sale. However, such certificates are currently only 'advisory' in nature and do not actually require any rectification to be carried out by any party.

Looking to the future, the U.K. government is committed by April 1, 2018 to introduce legislation that will effectively prohibit the grant of a lease of a property (either commercial or residential) that does not meet minimum prescribed energy efficiency standards. These standards are expected to refer to the rating recorded by the energy performance certificate for the building. The energy performance certificate will detail the improvements necessary to improve the energy efficiency of the building to the requisite standard. There will be fines for noncompliance.

Further Regulatory Measures

In England and Wales, there is an increasingly strong focus on the environmental sustainability of newly constructed and existing buildings. This is being addressed partly through the building regulation regime which requires increasingly sophisticated materials to be used in the construction of buildings. It is also being addressed by local planning authorities by introducing the use of sustainability assessments as part of the production of their local development plan. The local development plan may require environmental impact assessments to be carried out before certain types of development are approved for planning permission, allowing the local planning authority to impose mitigation measures to ensure compliance with its sustainability agenda.

In January 2013, the U.K. government introduced a "Green Deal" initiative which allows property owners to finance energy-saving improvements to their properties with repayments not exceeding the anticipated energy cost savings resulting from the planned improvements. Regulations require property owners to disclose details of any "Green Deal" affecting the property on the sale or lease of the property. Failure to disclose may result in the cancellation and repayment of the Green Deal plan. It is expected that the existence of a Green Deal will also affect the terms of any lease of the affected property, with the tenant expected to pay off the Green Deal loan in consideration for the benefit of the lower energy usage and costs.

In addition, there are a number of mandatory and voluntary appraisal techniques and codes that developers will increasingly need to comply with in order to secure planning permission, to access funding for a project or to comply with end-user sustainability strategies. In the U.K., these include the BRE Environmental Assessment Method (BREEAM) for non-residential buildings, the mandatory Code for Sustainable Homes in relation to residential developments and the Civil Engineering Environmental Quality assessment and award scheme for assessing the energy performance of civil engineering and public realm projects.

Commercial Property Management in England and Wales

The principal professional and regulatory body for surveyors in England and Wales is the Royal Institution of Chartered Surveyors (the "RICS").

REGULATORY OVERVIEW

In 2011 the RICS issued the second edition of its Practice Standards guide entitled “Commercial Property Management in England and Wales” (the “**Guidance**”)

The purpose of the Guidance is to offer “best practice” advice in the management of commercial buildings with a particular focus on :

- (a) management of commercial buildings
- (b) communication and control of income and expenditure
- (c) minimizing associated risks

In addition to the Guidance, the RICS has also published other supplemental guides designed to supplement the Guidance as follows :

- (a) RICS code of practice: *Service charges in commercial property, 2nd edition* (2011)
- (b) RICS information paper: *Managing mixed use developments* (2009)
- (c) RICS information paper: *Commercial property handover procedures* (2011)
- (d) RICS guidance note: *Insurance for commercial property managers* (2011)

Each of these publications offers best practice advice on their respective subject matter.

The framework for the regulation of commercial property management consists in the main of compliance with professional body standards and best practice guidance albeit that in exercise of the management functions there are a number of relevant statutory provisions relating, for example, to health and safety compliance and anti-corruption laws.

Residential Property Management in England and Wales

By contrast with commercial property management, the management of residential property, particularly in relation to service charge expenditure is heavily regulated with the intention of providing significant legal protection to residential tenants.

Again, the RICS has issued specific guidance in relation to residential property management in its “RICS U.K. Residential Property Standards, 5th Edition”. Since its publication in 2011, there have been two updating addendums, the last in June 2013.

Section 8 of the RICS U.K. Residential Property Standards covers residential property management and runs to 134 pages.

As part of the general legislative aim of protecting residential tenants, please note that in certain circumstances, residential tenants can exercise a statutory “right to manage”, vesting certain functions and decision making in the tenant body, rather than the landlord and its chosen managing agent.

REGULATORY OVERVIEW

Professional bodies in England and Wales

Please note that the RICS is not the only professional body or organization involved in the management of property in England and Wales. Others include :

- (a) the Association of Residential Letting Agents;
- (b) the National Association of Estate Agents;
- (c) the Association of Residential Managing Agents; and
- (d) the National Federation of Property Professionals.

Each of these bodies support and endorse the RICS U.K. Residential Property Standards.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

OUR CORPORATE HISTORY AND DEVELOPMENT

Overview

We provide property leasing and property management services to the occupants of the commercial properties and residential properties developed and/or owned by our Group in Chengdu, Sichuan province, and Kunming, Yunnan province through our Major Operating Subsidiaries established in Hong Kong and the PRC. As of the Latest Practicable Date, we had ten wholly-owned subsidiaries, five of which were our Major Operating Subsidiaries.

The history of our Group can be traced back to 1993 when two of our Major Operating Subsidiaries, International Mansion and Sing Kong City, were established in the PRC. Our Group initially focused on real estate development, for which it had developed a number of property projects in Chengdu during the period from 1993 to 2011, namely the projects of Dufu Garden, Everbright Financial Center and Everbright International Mansion. Construction of Everbright International Mansion and Everbright Financial Center completed in June 2005 and May 2009, respectively. As regards Dufu Garden, the construction was fully completed in November 2007.

In addition to the properties developed by us, our Group has also acquired part of a commercial building in Kunming, Yunnan province, namely Ming Chang Building, and has been carrying on its property leasing activities since June 1997.

In order to maximize the value of our properties and keep our properties in good condition, our Group expanded its business to provision of property management services including operating and managing parking spaces.

As of the Latest Practicable Date, our property portfolio comprised three commercial properties, namely Everbright Financial Center, part of Everbright International Mansion and Ming Chang Building, with a total GFA of approximately 89,506.5 sq.m. and residential properties, namely part of Dufu Garden, with a total GFA of approximately 2,121.4 sq.m.

Key Business Milestones

The following table shows the key milestones in the history of our corporate and business development:

May 1997	Ming Chang Building was acquired by Brighter Win for leasing purposes
June 2005	Construction of Everbright International Mansion was completed
November 2007	Construction of Dufu Garden was fully completed
May 2009	Construction of Everbright Financial Center was completed

OUR DEVELOPMENT

Development of our properties

We began our businesses as a property developing company in the 1990s and incorporated each of our Major Operating Subsidiaries for the purposes of carrying out specific projects. Sing Kong City, International Mansion, Finance Center and Brighter Win have been set up for the purposes of developing our properties.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Sing Kong City

Sing Kong City has been carrying on its business operations since its establishment at its project location in 1993 and managing the sale and property leasing of Dufu Garden. Dufu Garden is a residential compound comprising villas, townhouses and low-rise residential buildings. It is located outside the West 2nd Ring of Chengdu and close to the famous historic tourist attraction, Du Fu Thatched Cottage, the residence of a famous poet of Tang Dynasty. As of the Latest Practicable Date, most of the properties in Dufu Garden had been sold, except for five villas, with a total GFA of approximately 2,121.4 sq.m., which are still owned by our Group.

Sing Kong City was established on January 3, 1993 with a registered capital of RMB18,000,000 as a sino-foreign joint venture company owned as to 62%, 20%, 10% and 8% by Easewin, Chengdu City Wuhou District Urban-rural Construction Housing Development Company (成都市武侯區城鄉建設房屋開發公司) (“**Wuhou**”), Hwa Ling Investment Pte Ltd (新加坡華領置業私人有限公司) (“**Hwa Ling**”) and Sichuan Jinxin Trading Company Limited (四川省金鑫貿易有限公司) (“**Jinxin**”), respectively, pursuant to a joint venture agreement dated October 15, 1992.

In January 1994, Jinxin and Hwa Ling transferred all of their shares to Easewin. Further, Easewin, Capital Century and Wuhou agreed to make a capital contribution of RMB15,900,000, RMB10,500,000 and RMB3,600,000, respectively, into Sing Kong City resulting in an increase of its registered capital to RMB30,000,000, which was approved by the relevant PRC regulatory authority in April 1994. As a result, Sing Kong City was owned as to 53%, 35% and 12% by Easewin, Capital Century and Wuhou, respectively.

In November 2004, Capital Century initiated legal proceedings against Easewin at Chengdu Intermediate People’s Court as Easewin failed to make its capital contribution. In January 2005, instead of Easewin, Capital Century made a further capital contribution of RMB15,900,000 and as a result, Capital Century’s equity interest in Sing Kong City was significantly increased from 35% to 88%. For further details relating to Easewin, see “Directors and Senior Management — Board of Directors — Executive Directors”. Furthermore, in January 2005, Wuhou transferred 12% of the shares in Sing Kong City to Guangdong New Knowledge Consultant Company Limited (廣東新知識顧問有限公司) (“**New Knowledge**”).

In January 2006, Capital Century entered into an equity interest transfer agreement with New Knowledge pursuant to which Capital Century agreed to acquire all of the shares held by New Knowledge in Sing Kong City for a consideration of RMB3,600,000. The relevant PRC regulatory authority approved the equity interest transfer in March 2006 and Sing Kong City became a wholly foreign-owned enterprise since April 2006.

In December 2010, Capital Century transferred all of its equity interest to First Step, an indirectly wholly-owned subsidiary of our Company. Sing Kong City then became an indirectly wholly-owned subsidiary of our Company. As of the Latest Practicable Date, Sing Kong City had a registered capital of RMB30,000,000.

International Mansion

International Mansion has been carrying on its business operations since its establishment at its project location in 1993 and managing the property leasing and property management of Everbright International Mansion. Everbright International Mansion is a seven-story commercial complex located at No. 2 Caoshi Street, Qingyang district, Chengdu, Sichuan province, in which we own floor 1 to 4 and basement level 2 and 3, with a total GFA of approximately 38,198.6 sq.m..

International Mansion was established on December 29, 1993 with a registered capital of RMB68,000,000 as a sino-foreign joint venture company, which was owned as to 16.2% by Chengdu Hotel and 83.8% by CE Macau, the initial shareholders of International Mansion, pursuant to a joint venture agreement dated March 31, 1993.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

In October 1996, the registered capital of International Mansion increased from RMB68,000,000 to RMB147,668,500, upon which 51% and 49% of the share capital of International Mansion were owned by CE Macau and Chengdu Hotel, respectively.

In March 1998, CE Macau transferred all of its shares in International Mansion to Metallic Field for a consideration of RMB75,310,900. In November 1998, Chengdu Hotel transferred all of its shares in International Mansion to Chengdu Tianfu, a state-owned entity operated by Chengdu Municipal Bureau of Administration (成都市機關事務管理局) for a consideration of RMB72,357,600. Metallic Field and Chengdu Tianfu owned 51% and 49% of the interests of the International Mansion, respectively.

On August 23, 2012, Chengdu Municipal Bureau of Administration, Chengdu Tianfu and International Mansion entered into an equity and property exchange agreement, pursuant to which Chengdu Municipal Bureau of Administration agreed to pay RMB27 million and dispose of the 49% shares held by Chengdu Tianfu in International Mansion, in exchange for part of the properties in Everbright International Mansion. On the same day, International Mansion entered into a share repurchase agreement with Chengdu Tianfu and Metallic Field, whereby International Mansion agreed to repurchase 49% of its shares held by Chengdu Tianfu, upon which the registered capital of International Mansion was reduced. On October 18, 2012, International Mansion revised its articles of association, pursuant to which Metallic Field became entitled to appoint all members of the board of directors of International Mansion. Following the aforesaid repurchase of shares and reduction of share capital, International Mansion became a wholly foreign-owned enterprise owned by Metallic Field, and therefore an indirectly wholly-owned subsidiary of our Company. In August 2014, the registered capital of International Mansion decreased from RMB147,668,500 to RMB75,310,900.

Finance Center

Finance Center has been carrying on its business operations since its establishment at its project location in 1997 and managing the property leasing and property management of Everbright Financial Center. Everbright Financial Center is located at No. 9 Wenwu Road, Qingyang district, Chengdu, Sichuan province, right next to Everbright International Mansion. It is a single office building with 26 floors and three levels of basement, with a total GFA of 34,334.5 sq.m. As of the Latest Practicable Date, our Group held approximately 33,356.7 sq.m. for investment purpose and used approximately 977.8 sq.m. as our own offices.

Finance Center was established as a limited liability company in the PRC on November 28, 1997 with a registered capital of RMB42,000,000 and was owned as to 95%, 3% and 2% by Metallic Field, CE Macau and Shanghai Everbright Beiyin Real Estate Development Co., Ltd (上海光大北銀房地產發展有限公司), respectively. In July 1999, Financial Center redenominated its registered share capital in HK dollars and adjusted it to HK\$39,250,000. In December 2004, Metallic Field acquired 3% and 2% of the shares from CE Macau and Shanghai Everbright Beiyin Real Estate Development Co., Ltd for a consideration of HK\$1,177,500 and HK\$785,000, respectively, and became the sole shareholder of Finance Center. Finance Center is therefore an indirectly wholly-owned subsidiary of our Company. As of the Latest Practicable Date, Finance Center had a registered capital of HK\$39,250,000.

Acquisition of Ming Chang Building

Subsequently, with a portfolio of properties in Chengdu, we commenced our property leasing businesses in 1997 and expanded our businesses to Kunming.

Brighter Win

With financial resources provided by China Everbright Group, our Group acquired part of Ming Chang Building in May 1997 and incorporated Brighter Win to operate property leasing activities in Ming Chang

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Building. Ming Chang Building is located at No. 28 Ren Min Road Central, Kunming, Yunnan province, and comprises two residential towers erected upon a 4-story commercial podium and a two-level carparking basement. We own the whole 4-story commercial podium of Ming Chang Building, with a total GFA of approximately 16,973.4 sq.m. As of the Latest Practicable Date, approximately 16,854.9 sq.m. were leased to our tenants.

Brighter Win was incorporated as a limited liability company in Hong Kong on July 16, 1997 with an issued share capital of HK\$2 divided into two shares. In July 1997, the initial shareholders transferred one share to CE Hong Kong and one share to Mr. Wu Yongjia, who held the share in favor of CE Hong Kong. Following such transfers, CE Hong Kong became the sole beneficial owner of Brighter Win. In January 1998, Brighter Win issued and allotted 9,998 shares of HK\$1 each to CE Hong Kong.

Growing China acquired 9,900 shares and 100 shares from the then shareholders of Brighter Win in August 2000 and July 2011, respectively, upon which Brighter Win became wholly-owned by Growing China and therefore an indirectly wholly-owned subsidiary of our Company. As of the Latest Practicable Date, Brighter Win had an issued capital of HK\$10,000.

Expansion into the property management market

Eventually, in early 2000, we further expanded into the property management industry and began providing property management services.

Property Management

Property Management has been carrying on its business operations since the date of its establishment and providing property management services to the occupants of Everbright International Mansion and Everbright Finance Center.

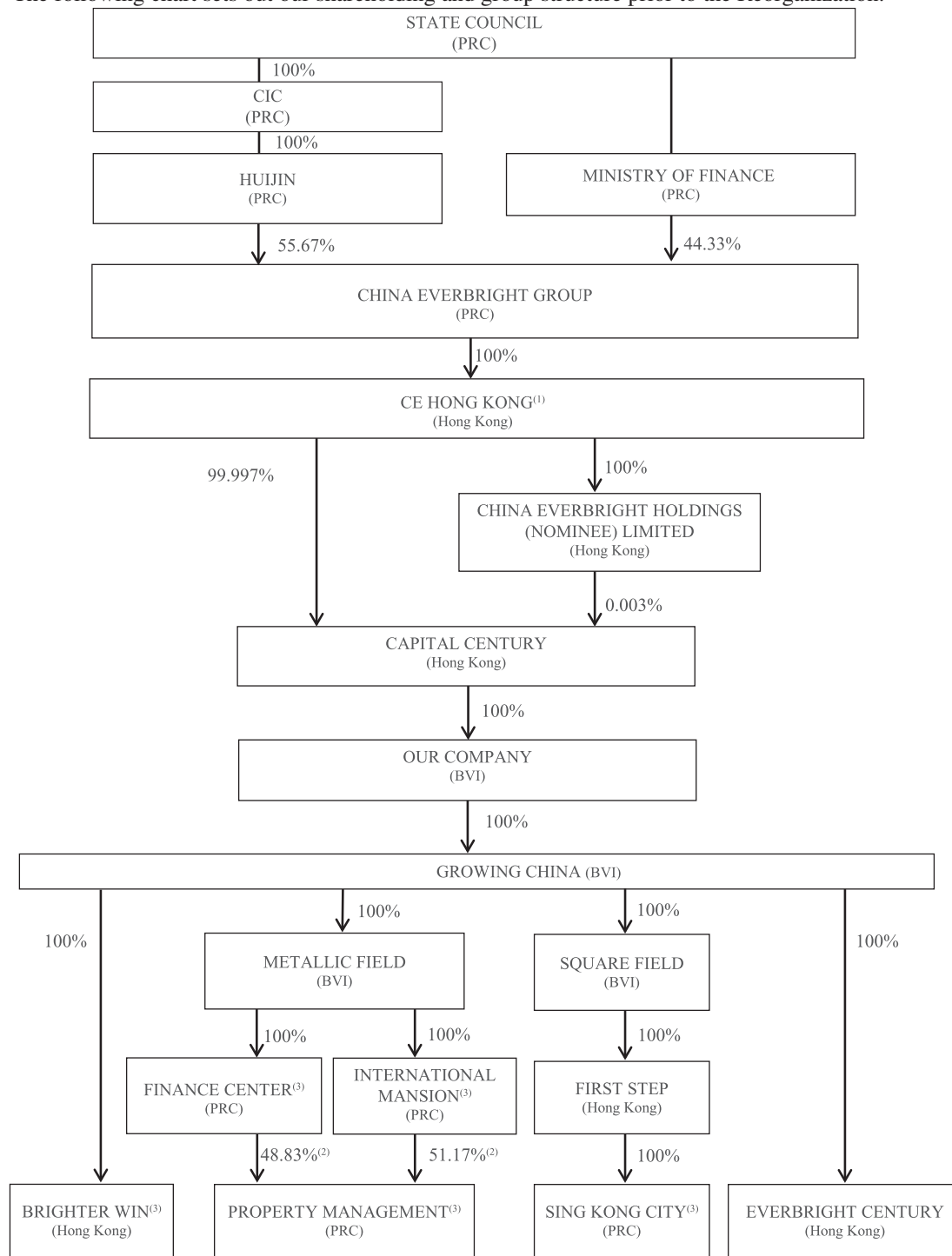
Property Management was established as a limited liability company in the PRC on November 28, 2006 with a registered capital of RMB500,000, and was wholly-owned by Finance Center. In April 2016, International Mansion made a capital contribution of RMB523,971.74 to Property Management, which then had a total registered capital of RMB1,023,971.74. Since then, Property Management has been owned as to 48.83% and 51.17% by Finance Center and International Mansion, respectively.

Property Management has been an indirectly wholly-owned subsidiary of our Company since its incorporation. As of the Latest Practicable Date, Property Management had a registered capital of RMB1,023,971.74.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

OUR ORGANIZATIONAL STRUCTURE

The following chart sets out our shareholding and group structure prior to the Reorganization.



Notes:

- (1) CE Hong Kong holds 0.3% interest of the issued share capital of Capital Century on trust for the National Administrative Bureau of the State Owned Property.
- (2) According to the articles of association of Property Management dated February 2017, International Mansion and Finance Center shall have equal shareholders' rights and obligations as if their interests in Property Management were 50% each.
- (3) means our Major Operating Subsidiaries.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

REORGANIZATION

Our Company was incorporated in the BVI on August 2, 2000, with a total issued share capital of US\$50,000, which was then directly and wholly owned by Capital Century, an indirectly wholly-owned subsidiary of CE Hong Kong. On December 23, 2010, Capital Century subscribed for a total of 33,050,000 shares in our Company for a consideration of US\$33,050,000. As a result, the total issued share capital of our Company increased to US\$33,100,000.

In preparation for the Listing, we underwent the Reorganization which primarily involved the following steps:

1. Transfer of Everbright Century to Capital Century

On May 30, 2016, Growing China transferred all of its shares in Everbright Century to Capital Century for a consideration of HK\$10,000 due to change of investment strategies of our Group. Everbright Century was incorporated in Hong Kong on March 31, 2016 with a total issued share capital of HK\$10,000 wholly-owned by Growing China for investment purposes but has remained inactive since its incorporation. As a result, Everbright Century was no longer a subsidiary of our Group.

2. Registration of our Company in the Cayman Islands

On September 15, 2016, our Company was transferred by way of continuation into the Cayman Islands as an exempted company with limited liability under the Companies Law.

3. Incorporation of two BVI companies

Top Charm and Lucky Link were incorporated in the BVI on October 12, 2016 and November 8, 2016, respectively.

On January 3, 2017, Capital Century, the then sole shareholder of our Company, transferred 29,790,000 and 3,310,000 shares, representing all of its shares in our Company, at US\$29,790,000 and US\$3,310,000 to Lucky Link and Top Charm, respectively. Our Company then became directly owned by Lucky Link and Top Charm as to 90% and 10%, respectively.

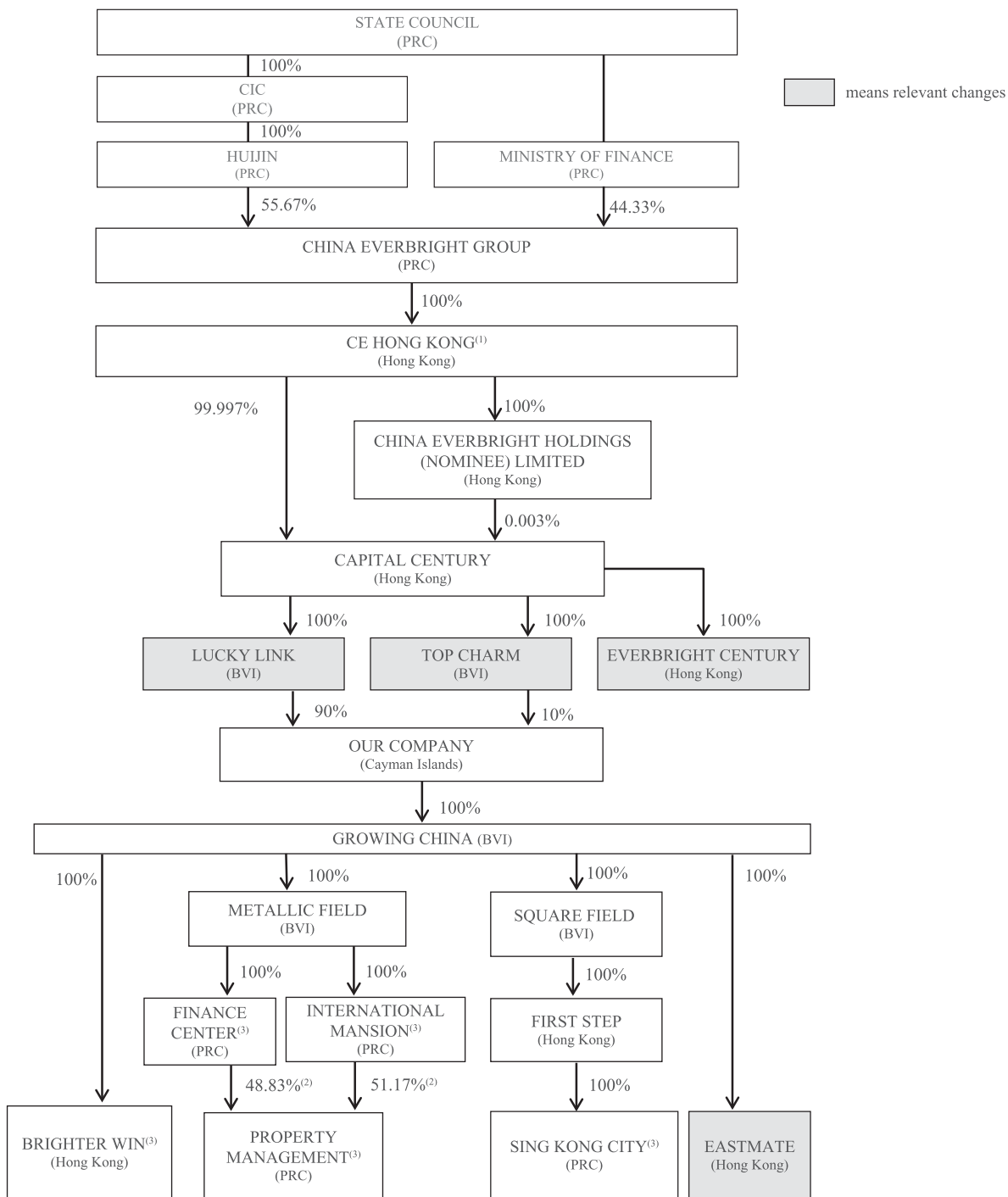
4. Incorporation of a Hong Kong company and transfer of its shares to Growing China

Eastmate was incorporated in Hong Kong on November 4, 2016 with a total issued share capital of HK\$1 owned by Acota Services Limited. On December 29, 2016, Eastmate allotted 9,999 shares to Growing China.

On January 19, 2017, Acota Services Limited transferred one share representing all of its interests in Eastmate to Growing China by way of an instrument of transfer. As a result, Growing China became the sole shareholder of Eastmate, which then became an indirectly wholly-owned subsidiary of our Company.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The following chart sets out our shareholding and group structure upon completion of the Reorganization and as of the Latest Practicable Date.



Notes:

- (1) CE Hong Kong holds 0.3% interest of the issued share capital of Capital Century on trust for the National Administrative Bureau of the State Owned Property.
- (2) According to the articles of association of Property Management dated February 2017, International Mansion and Finance Center shall have equal shareholders' rights and obligations as if their interests in Property Management were 50% each.
- (3) means our Major Operating Subsidiaries.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

COMPLIANCE WITH THE PRC LAWS

As advised by our PRC Legal Advisor, in connection with the establishment, acquisition of equity interests by our Group and change in registered capital in respect of the PRC companies in our Group and the steps taken in the Reorganization, all requisite government approvals under the PRC laws and regulations have been obtained and all the necessary filings and registrations with the governmental authorities have been effected. For details of the changes in the registered capital in the PRC companies in our Group during the Track Record Period, see “Appendix V — Statutory and General Information — A. Further Information about Our Group — 3. Changes in share capital of our subsidiaries”.

SUBDIVISION OF SHARES

Immediately prior to the completion of the Global Offering, our Company will subdivide its authorized share capital by subdividing each of its issued and unissued shares into ten shares. Following such Share Subdivision, our Company’s authorized share capital will be US\$40,000,000 divided into 400,000,000 Shares of a par value of US\$0.10 each, and our total issued share capital will be 331,000,000 Shares, which will be held by Lucky Link and Top Charm as to 90% and 10%, respectively.

INCREASE IN AUTHORIZED SHARE CAPITAL

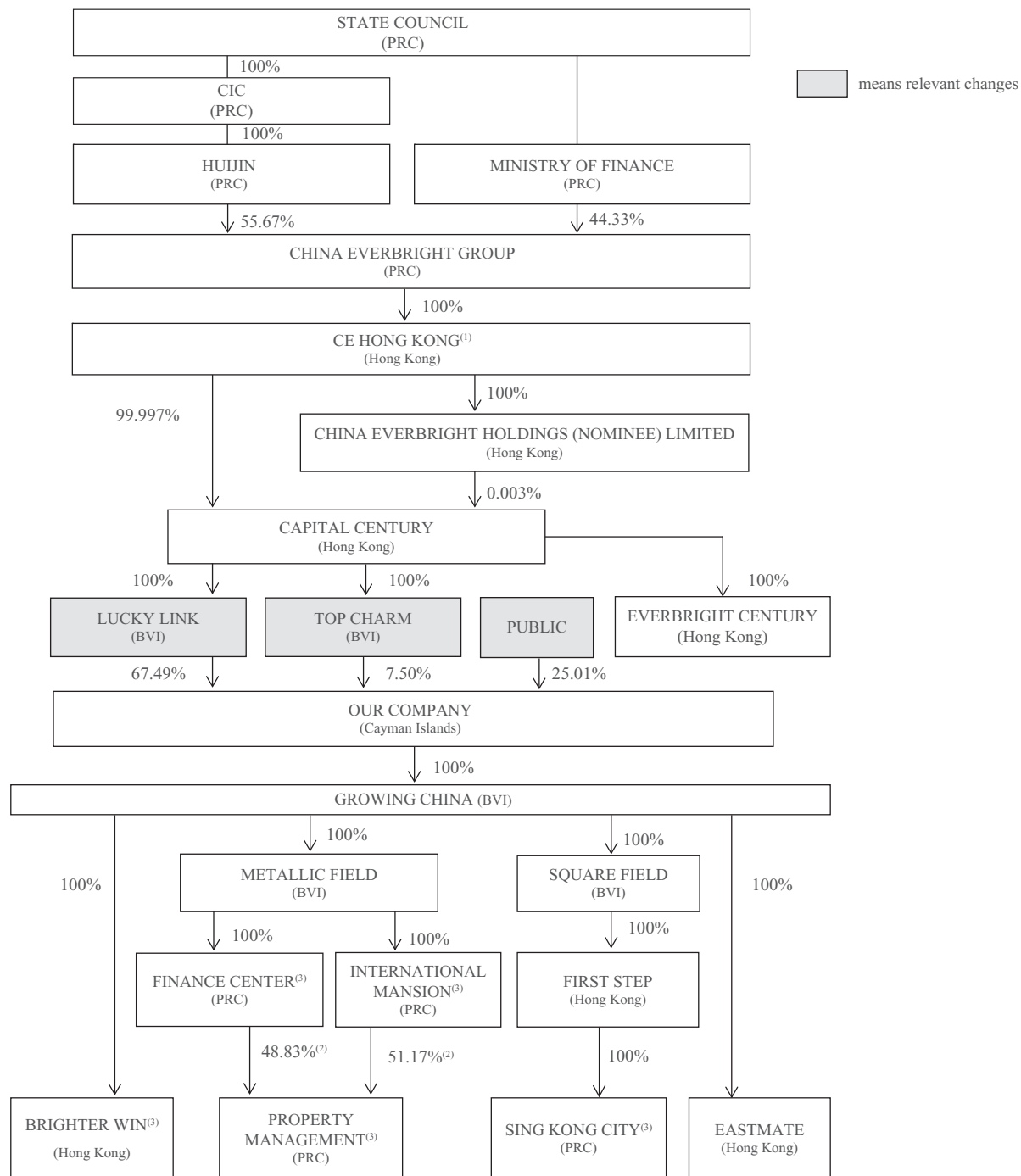
Subsequent to the Share Subdivision, the authorized share capital of our Company will increase from US\$40,000,000 divided into 400,000,000 Shares of US\$0.10 each to US\$400,000,000 divided into 4,000,000,000 Shares of US\$0.10 each.

GLOBAL OFFERING

Following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the total issued share capital of our Company will be US\$44,140,000 divided into 441,400,000 Shares of US\$0.10 each, of which approximately 67.49%, 7.50% and 25.01% of the Shares will be held by Lucky Link, Top Charm and the public, respectively.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The following chart sets out our shareholding and group structure immediately following the Global Offering.



Notes:

- (1) CE Hong Kong holds 0.3% interest of the issued share capital of Capital Century on trust for the National Administrative Bureau of the State Owned Property.
- (2) According to the articles of association of Property Management dated February 2017, International Mansion and Finance Center shall have equal shareholders' rights and obligations as if their interests in Property Management were 50% each.
- (3) means our Major Operating Subsidiaries.

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OVERVIEW

We own, lease and manage properties located in Chengdu, Sichuan province, and also own and lease a property located in Kunming, Yunnan province. As of the Latest Practicable Date, our property portfolio comprised of three commercial properties, namely Everbright Financial Center, part of Everbright International Mansion and Ming Chang Building, with a total GFA of approximately 89,506.5 sq.m. and residential properties, namely part of Dufu Garden, with a total GFA of approximately 2,121.4 sq.m. Except for Ming Chang Building, we developed these properties during the late 1990s and early 2000s and selectively retained ownership of these properties which we believe to have strategic value to generate stable and recurring leasing revenue. As of the Latest Practicable Date, we held the properties with a total GFA of approximately 89,770.5 sq.m. for investment purposes, a total GFA of approximately 977.8 sq.m. for use of our own offices and a total GFA of approximately 879.6 sq.m. for sale. According to the Property Valuer, the market value of our properties held for investment was RMB866.8 million as of October 31, 2017. For the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the average occupancy rates for our properties held for investment were approximately 80.9%, 82.0%, 77.7% and 77.1%, respectively. As of the Latest Practicable Date, we had leased to our tenants a total GFA of approximately 72,038.6 sq.m., representing 80.2% of the total GFA of our properties held for investment.

We have a stable tenant base which includes banks and financial institutions and government agencies as well as other enterprises. Everbright Financial Center and Everbright International Mansion host the public center for each of the Qingyang district, Chengdu municipal and Sichuan provincial governments. Everbright Financial Center and Ming Chang Building also host China Bohai Bank Chengdu Branch, CE Bank Kunming Branch and CE Securities. We maintain a stable relationship with most of our tenants. As of the Latest Practicable Date, we had a total of 32 tenants, among which 22 had a relationship with us for more than five years.

In order to maximize the value of our properties and keep our properties in a good condition, we have a property management team to manage Everbright Financial Center and Everbright International Mansion, for which we charge property management fees to our tenants and the other owner of Everbright International Mansion for general property management services, value-added property management services and parking management services.

For the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we generated a revenue of RMB57.1 million, RMB59.4 million, RMB55.9 million and RMB32.7 million, respectively. Our profits for the same periods were RMB39.7 million, RMB34.3 million, RMB31.5 million and RMB9.2 million, respectively. The valuation gains from our investment properties amounted to RMB35.9 million, RMB18.8 million, RMB22.7 million and RMB6.7 million, respectively, for the year ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017.

OUR COMPETITIVE STRENGTHS

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

Our properties are located in the city centers of Chengdu and Kunming, the key cities of western China

According to the JLL Report, since the Go West Policy became one of China's most important national strategies in 2000 with an overall objective of improving the income and living standards of people in western China and narrowing the gap between the eastern and western regions of China through the acceleration of development in China's central and western regions, western China has experienced its greatest period of rapid economic development, high-quality growth, improvement in overall competitiveness, transformation of urban and rural environment and rising living standards since the establishment of the PRC. Our properties are located

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in Chengdu, Sichuan province and Kunming, Yunnan province, both of which are key cities in western China. As key cities in western China, we believe Chengdu and Kunming, where our properties are located, have benefitted and will continue to benefit from the economic growth driven by Go West Policy and the implementation of the PRC's 13th Five-Year Plan.

According to the JLL Report, with a population of about 15.9 million and urbanization rate of 70.6% in 2016, Chengdu is one of the most important economic, financial, commercial, cultural, transportation and communication centers in western China. More than a quarter of the world's 500 largest companies have established subsidiaries and branch offices in Chengdu. Starting from the first half of 2015, Chengdu ranked the first among all sub-provincial cities in China in terms of the volume of fixed assets investment. Chengdu's nominal GDP and the per capita disposable income of urban households increased continuously at a CAGR of 10.6% and 7.2% respectively from 2012 to 2016. Kunming, the capital and largest city in the east-central part of Yunnan province, not only serves as a political, economic and cultural center, but is also designated as one of the regional transportation hubs in China. The annual real GDP in Kunming recorded a growth rate of 8.5% in 2016. Both the nominal GDP per capita and per capita disposable income of urban households increased continuously at a CAGR of 8.4% and 9.8% respectively between 2012 and 2016. Economic growth in Chengdu and Kunming has led to an increased demand for commercial spaces. As the major economic hub in western China, Chengdu has observed an increasing user and investment demand for offices from both multinational companies and local corporations. While in Kunming, the real estate investment increased from RMB91.9 billion in 2012 to RMB153.1 billion in 2016, at a CAGR of 13.6%.

Everbright Financial Center and Everbright International Mansion are located in the traditional central business district of Chengdu, which is highly accessible and well-served by transportation facilities. Everbright Financial Center and Everbright International Mansion are right at the corner of Caoshi Street and Xinhua Avenue, two main roads passing through Chengdu from west to east and north to south, respectively. Ming Chang Building is located on one of the major commercial roads in the city center of Kunming. They are all connected by subway lines and several bus lines. We believe the convenient location, condition and quality of our properties are some of the factors that have enabled us to attract tenants and maintain a substantial occupancy rate in our properties. For the year ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the average occupancy rate of our commercial properties reached 80.6%, 81.7%, 77.4% and 76.8%, respectively.

We have a stable tenant base, providing us with a stable and recurring revenue source

We endeavor to maintain stable relationships with our tenants. Our background as a state-owned enterprise also helps us to earn the trust of our tenants, particularly with government agencies and other state-owned banks and financial institutions. Furthermore, we require our employees to maintain a high standard of practice to establish an image of integrity among our tenants. We believe some of our tenants value the virtue of integrity and tend to deal more with companies holding a high standard of integrity. We also believe our stable relationship with our tenants is the key to ensuring a stable and recurring revenue source from our properties. As of the Latest Practicable Date, we had a total of 32 tenants, among which 22 had a relationship with us for more than five years, which in 2014, 2015 and 2016 and the first half of 2017 contributed 85.2%, 86.0%, 94.0% and 76.9% of our total revenue of the respective period.

We select tenants based on credit histories, reputations and sustainability of their businesses. Before entering into lease agreements, we normally conduct a background check on the potential tenants. This background check normally includes a legal background check, a credit check and interviews or visits. We maintain a high-quality tenant base which comprises government agencies, state-owned banks and financial institutions, as well as other enterprises which have a large scale of operation or strong reputation. We believe these tenants tend to pay their rent in a timely fashion.

We have a marketing team seeking potential tenants when there are departing tenants. Our lease agreements provide a notice period ranging from one to three months and an option for our tenants to renew their

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leases. If the tenants elect not to renew their leases upon expiry or terminate their leases early, our marketing team will identify replacement tenants to ensure the continued occupancy of our properties. We identify suitable tenants through various channels, including, among others, referrals by existing tenants, our own marketing efforts, and referrals by property agents.

Our property management service business is another key to attract tenants. We provide a variety of services to our tenants in addition to general property management services. Our value-added services and parking management services are offered to our tenants for their convenience and are supplementary and complementary to our property leasing business.

As a member of China Everbright Group, we benefit from synergies with China Everbright Group and recognition of the “Everbright” Brand

China Everbright Group is a *Fortune Global 500* firm and, according to JLL Report, one of the most recognized and influential conglomerates in China. Its wide range of businesses includes securities, banking, insurance, trust, fund management, financial leasing and industrials. China Everbright Group and its affiliates serve tens of millions customers, including governments, enterprises, institutions and individuals. We are the first company in China Everbright Group conducting property leasing and property management service business that is seeking to list on the Hong Kong Stock Exchange. Our access to the resources of China Everbright Group helps us to stay abreast of evolving industry trends and deepen our understanding of the market demands, providing us access to various investment opportunities.

With over 30 years of history, the “Everbright” brand is well recognized in China and overseas. China Everbright’s brand recognition helps us win the trust of our tenants and the government, and has enhanced our ability to source business opportunities. For example, our Everbright Financial Center and Everbright International Mansion host several government agencies, including the public service center for each of the Qingyang district, Chengdu municipal and Sichuan provincial governments. We also believe we have benefitted and will continue to benefit from the recognition of the “Everbright” brand in searching for suitable investment targets, enhancing our bargaining power and gaining the trust of our counterparties. In addition, we believe the recognition of the “Everbright” brand is crucial to the success of our business and are committed to preserving the good reputation of the “Everbright” brand by maintaining the high standard of our services. This has enhanced our inherent ability to expand our business and achieve sustainable growth.

We have an experienced and stable management team and an in-depth knowledge of our industry

We are led by an experienced senior management team, which has extensive management and industry experience. In particular, Mr. Liu Jia, our executive Director, chairman and chief executive officer, has over 10 years of experience in the real-estate market and management of investment projects. After Mr. Liu rejoined CE Hong Kong as an executive director and deputy general manager in August 2014, he was involved in several property investment projects of CE Hong Kong, such as the acquisition of Dah Sing Finance Centre located in Wan Chai, Hong Kong. Mr. Lin Zimin, our executive Director and general manager, had worked in the government agency for 15 years before joining us in 2010. During that period, he was responsible for international economic and culture exchange and investment solicitation, which enabled him to build up extensive experience in economic development and investment. Most of our management team have served us for more than five years. During the course of their services with us, they have built up extensive experience and knowledge, including substantial knowledge of investment management and an in-depth understanding of the real-estate market as well as the legal system in China. Furthermore, some members of our management team have been working in both the PRC and Hong Kong for years, which we believe has enabled them to visualize our future development with an international vision. We believe the experience of our management team will continue to lead us to identify suitable investment opportunities, especially in overseas markets, and contribute to the success of our business and expansion.

OUR STRATEGIES

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

Expand to overseas market

The overseas real estate markets present attractive opportunities to grow our business in the long run. We consider a relatively stable and transparent political and legal environment of a destination country is important to guard the value of our investment and the safety of the properties which we may invest in. In addition, the conditions of the political and legal system can also have an impact on the local economic development and thus affect the prospects of our investment and value of the properties. With the intention to diversify our property portfolio, lower the risk of concentration and enhance our overall corporate development, we plan to invest in overseas commercial properties through acquisitions of completed properties which provide potential attractive yields and net asset growth in major cities of relatively developed countries in medium to long run. Currently we focus our search for potential target primarily in the U.K.. According to the JLL Report, the U.K. has been one of the most popular destinations for real estate investments attributable to its strong and solid economy. London is one of the most popular cities for direct real estate investment in the U.K.. Following a period of heightened uncertainties in the immediate aftermath of the EU referendum, both the office and retail property investment markets still had a considerably strong finish in 2016. The weakening pound could present attractive opportunities to foreign investors. Despite the uncertainties ahead, there could be attractive investment opportunities presented to overseas investors in a purchasing distressed and undervalued properties, and taking advantage of the pound depreciation. We therefore believe that the U.K., particularly London, may present more attractive investment opportunities than other countries for our overseas expansion plans.

We have established a team, led by our executive Director, chairman and chief executive officer, Mr. Liu Jia, specializing in identifying and evaluating potential target properties in the U.K.. In late 2016, we conducted our market research in London real estate market and visited several commercial properties in the area as part of our market research to understand the local economy, market condition, return on properties, and regulatory and investment environment. Based on the market research, we decided to narrow our search in City of London⁽¹⁾, where the commercial buildings and offices generally have a relatively higher rate of return but lower price as compared to the similar properties in some other areas of London such as West End⁽²⁾. Although we have visited several potential targets as part of our research, we have not yet identified any potential target which fits our property selection criteria or development strategies. We are currently continuing our research in the area for suitable target properties. We plan to take a market-driven but cautious approach in assessing potential investments or acquisition targets. See “— Property Selection and Acquisition” for our criteria in selection of targets and procedures for our investments and acquisitions. For selection of suitable target properties, we plan to engage professional advisors, including property valuers, accountants and legal advisors with relevant expertise to conduct thorough investigation of the target properties, and if necessary, expand our team to evaluate the overseas investment. After the acquisitions, we plan to engage local property manager, which is a third party professional firm, to manage the properties. We plan to fund our future investments and acquisitions by proceeds from the Global Offering, bank borrowings and/or other financial means that are available to us. We have entered into a loan framework agreement with CE Bank Hong Kong Branch for a loan facility of no more than HK\$300 million which may be utilized to acquire commercial properties in London or other major cities in the U.K.. See “Connected Transactions — Non-exempt Continuing Connected Transactions — Transactions in relation to loan services” for details.

(1) Covers the area of Clerkenwell, Shoreditch, Northern, Midtown, Southern, Eastern, Western, Aldgate in London, the U.K. according to JLL.

(2) Covers area of Hammersmith, Kensington Chelsea, Paddington, Marylebone, Euston, Camden, King’s Cross, North of Oxford Street, Fitzrovia, Bloomsbury, Mayfair, Soho, St James’s, Covent Garden, Belgravia-Knightsbridge, Victoria, Waterloo, Vauxhall, Battersea in London, the U.K. according to JLL.

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Improve quality of our property management services and expand our service scope

We believe the quality of our services is key to maintaining stable relationships with our tenants as well as attracting new tenants. We are committed to providing high quality services to our tenants by:

- (a) upgrading the facilities in our properties, including renovating our buildings, upgrading the elevator system, optimizing the air conditioning system, intelligitizing the management system and renovation of external walls;
- (b) employing and retaining qualified and experienced staff and, if necessary, employing external consultants and advisors;
- (c) closely monitoring and benchmarking staff and service provider performances against international standards, as well as against the standards of local competitors; and
- (d) closely monitoring the feedback of our tenants to resolve issues in a timely and satisfactory manner.

We also intend to expand the scope of our services to address the ongoing needs of our tenants, such as the development of online ordering services.

Continue to focus on key cities in western China and pursuing suitable investments in commercial properties

We plan to continue focusing on key cities in western China, in particular the southwest region in China, including Chengdu and Kunming. According to JLL Report, as Chengdu and Kunming are fast-growing tier-2 cities, the demand for quality commercial property spaces has been growing from both the international and domestic businesses and investors. According to JLL Report, the latest government policies on the real estate market and urban planning are conducive to the prospects of our property portfolio. According to JLL Report, in August 2016, Chengdu Planning and Management Bureau (成都市規劃管理局) released the ‘Center of Chengdu’ Plan to establish a large-scale integrated ‘Urban Cultural Complex’, featuring cultural center, historical heritage, and central business district surrounding open space and central park, near to the Tianfu Square, within the traditional central business district. It could be a favorable policy driver to boost the office and retail property development by upgrading the traditional central business district equipping it with comprehensive, integrated and synergetic functions. Chengdu and Kunming, being the capital city of Sichuan and Yunnan provinces respectively, to a large extent have benefitted from the national policy stimulus of developing western China. In addition, according to the JLL Report, the ‘One Belt One Road’ initiative is favorable to the western region in China, particularly via infrastructure and urbanization projects, which could be expected to give another drive to the economic and commercial real estate development in Chengdu and Kunming. We believe with the support for western development, local economic growth will continue to drive an increased demand for commercial properties. Leveraging on our experience in the investment and management of commercial properties, we plan to pursue suitable investment opportunities in key cities in western China, in particular the southwest region in China. We may acquire completed properties or invest in development of the projects. We target properties or development projects which are expected to generate a stable recurring revenue as well as those with the potential to increase the value of the properties. As of the Latest Practicable Date, we had not commenced our search for suitable projects or properties nor identified any specific targets. Once we have identified any suitable target project or property, we plan to fund our investment or acquisition through cash generated from our operation, proceeds from the sale of our properties held for sale, bank borrowings and other financial means available to us.

BUSINESS

Maintain high occupancy rates and maximize long-term value of our properties

We seek to maintain high occupancy rates of our properties by maintaining a stable tenant base. We believe our property management services are key to maintaining a stable relationship with our existing tenants. We intend to expand our property management services scope and enhance the quality of our property management services to address the ongoing needs of our tenants, which we believe will in turn increase our tenant retention rate. We will also enhance our efficiency in managing lease renewals to minimize downtime arising from lease expiration or early termination. Leveraging on the brand recognition of “Everbright” and our active marketing activities, we intend to attract new tenants through various channels and maintain high occupancy rates in our properties. In the meantime, we will continue to implement the stringent background check on potential tenants to ensure quality tenant base and stability of our leasing revenue.

We seek to maximize the long-term value of our properties by maximizing the rental rates in renewals and new leases. We intend to leverage on the locations and quality of our properties and low vacancy of similar properties in nearby areas to enhance our bargaining power during negotiations for lease renewals and new leases. We will also monitor rental collection to minimize defaults by tenants.

Continue to attract, retain and motivate a skilled and talented workforce to support our growth

We are committed to building a highly professional and specialized team with strong execution capabilities that share our values, vision and corporate culture. We believe our future success and growth strategies depend on our ability to attract, retain and motivate a skilled and talented workforce.

In order to support our growth and expansion, we intend to attract and recruit employees with a wide range of expertise including property management, property development, finance and sales and marketing. We will continue to attract, retain and motivate a skilled and talented workforce through various initiatives, including internal and external job-related training and teambuilding programs, competitive remuneration packages and effective performance-based evaluation and incentive systems.

OUR BUSINESS

Property Leasing Business

We own, lease and manage properties located in Chengdu, Sichuan province, and also own and lease a property located in Kunming, Yunnan province. As of the Latest Practicable Date, our property portfolio comprised three commercial buildings, namely Everbright Financial Center, part of Everbright International Mansion and Ming Chang Building, with a total GFA of approximately 89,506.5 sq.m. and residential properties, namely part of Dufu Garden, with a total GFA of approximately 2,121.4 sq.m.. Except for Ming Chang Building, we developed these properties during the late 1990s and early 2000s and selectively retained ownership of these properties which we believe have strategic value to generate stable and recurring leasing revenue.

BUSINESS

Our Property Portfolio

The table below sets forth a summary of our property portfolio as of the Latest Practicable Date:

	<u>GFA Owned (sq.m.)</u>	<u>% of Total GFA Owned</u>	<u>Completion Date</u>	<u>Expiration Date of Land Use Right</u>
<i>Commercial Properties</i>				
Everbright Financial Center ⁽¹⁾	34,334.5	37.5%	May 2009	June 2044
Everbright International Mansion ⁽²⁾	38,198.6	41.7%	June 2005	June 2044
Ming Chang Building ⁽³⁾	16,973.4	18.5%	November 1995	September 2064
<i>Residential Properties</i>				
Dufu Garden ⁽⁴⁾	2,121.4	2.3%	In and before August 2007	April 2065
 Total.....	 <u>91,627.9</u>	 <u>100.0%</u>		

Notes:

- (1) We use a total GFA of approximately 977.8 sq.m. as our own offices.
- (2) We own floor 1 to 4 and basement level 2 and 3 of Everbright International Mansion.
- (3) We own floor 1 to 4 of Ming Chang Building.
- (4) We own five villas in Dufu Garden, among which three villas with a total GFA of 1,241.8 sq.m. are held for investment, and two villas with a total GFA of 879.6 sq.m. are held for sale.

Everbright Financial Center*Bird's-eye-view of Everbright Financial Center*

Everbright Financial Center is located in No. 9 Wenwu Street, Qingyang district, Chengdu, Sichuan province. In the late 1990s, we developed the Everbright Financial Center, which was completed in May 2009. According to JLL, Everbright Financial Center is classified as Grade B office building in Chengdu. Everbright Financial Center is a single office building with 26 floors and three levels of underground basement. It has a total GFA of approximately 34,334.5 sq.m., among which our Group held a total GFA of approximately 33,356.7 sq.m. for investment purpose and used a total of GFA of approximately 977.8 sq.m. as our own offices. As of the Latest Practicable Date, approximately 25,552.8 sq.m. were rented by our tenants. The three levels of basements, with a total GFA of approximately 3,159.5 sq.m., were operated as warehouses and facility rooms. According to the Property Valuer, the market value of our properties held for investment purposes in Everbright Financial Center was RMB340.2 million as of October 31, 2017.

Everbright Financial Center had a diverse tenant base with a total of 20 tenants as of the Latest Practicable Date. Everbright Financial Center primarily hosts the public service center for each of the Chengdu municipal and Sichuan provincial governments, as well as banks and multi-national and domestic companies. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the property leasing revenue generated from Everbright Financial Center amounted to RMB23.6 million, RMB23.9 million, RMB20.3 million and RMB10.0 million, representing 41.2%, 40.3%, 36.4% and 30.6%, respectively, of our revenue in the respective period.

Everbright International Mansion



Bird's-eye-view of Everbright International Mansion

Everbright International Mansion is located in No. 2 Caoshi Street, Qingyang district, Chengdu, Sichuan province, right next to our Everbright Financial Center. In the early 2000s, we developed the Everbright International Mansion, which was completed in June 2005. Everbright International Mansion is a seven-story commercial complex erected upon three levels of basement. We own floor 1 to 4 and basement level 2 and 3, with a total GFA of approximately 38,198.6 sq.m.. According to the Property Valuer, the market value of our properties held for investment purpose in Everbright International Mansion was RMB323.0 million as of October 31, 2017.

As of the Latest Practicable Date, we leased our properties on floor 1 to 4, with a total GFA of approximately 28,389.1 sq.m. to seven tenants and operated the parking spaces, with a total GFA of approximately 9,177.0 sq.m., on two levels of the basement.

Everbright International Mansion primarily hosts the public service center of Qingyang District government, a supermarket and a gym. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the property leasing revenue generated from Everbright International Mansion amounted to RMB7.2 million, RMB7.3 million, RMB7.3 million and RMB4.0 million representing 12.6%, 12.4%, 13.1% and 12.1% respectively, of our revenue in the respective period.

Everbright Financial Center and Everbright International Mansion are located in the traditional central business district, right at the corner of Caoshi Street and Xinhua Avenue, two main roads passing through

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Chengdu from west to east and south to north, respectively. They are connected by subway lines and several bus lines.

Ming Chang Building



Street view of Ming Chang Building (we own floor 1 to 4 of Ming Chang Building)

Ming Chang Building is located in No. 28 Renmin Road Central, Wuhua District, Kunming, Yunnan province. Ming Chang Building was completed in November 1995. We acquired the properties in Ming Chang Building in 1997. Ming Chang Building comprises two residential towers erected upon a 4-story commercial podium and a two-level carparking basements. We own the whole of the 4-story commercial podium of Ming Chang Building, with a total GFA of approximately 16,973.4 sq.m., which are held by us for investment purposes. According to the Property Valuer, the market value of our properties held for investment purpose in Ming Chang Building was RMB182.4 million as of October 31, 2017. As of the Latest Practicable Date, a total GFA of approximately 16,854.9 sq.m. were rented by three tenants.

Ming Chang Building is located on one of the major commercial roads at the city center of Kunming, and hosts CE Bank, Kunming Branch and CE Securities, both of which are connected persons of our Group, and an electrical appliance retailer. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the property leasing revenue generated from Ming Chang Building amounted to RMB8.5 million, RMB9.2 million, RMB8.9 million and RMB4.3 million, representing 15.0%, 15.5%, 15.9% and 13.2% respectively, of our revenue in the respective period.

Dufu Garden



Bird's-eye-view of Dufu Garden (we own five villas in Dufu Garden)

Dufu Garden is a residential compound comprising villas, townhouses and low-rise residential buildings. Dufu Garden is located right outside the West 2nd Ring of Chengdu. In the late 1990s, we developed Dufu Garden, a residential property development project, and most of the properties in Dufu Garden were sold except for five villas, with a total GFA of approximately 2,121.4 sq.m., which were owned by us as of the Latest Practicable Date. The three villas, with a total GFA of approximately 1,241.8 sq.m., are held by us for investment purposes and two villas with a total GFA of approximately 879.6 sq.m. are held by us for sale. According to the Property Valuer, the market value of our properties held for investment purpose in Dufu Garden was RMB21.2 million as of October 31, 2017. As of the Latest Practicable Date, we rented five villas with a total GFA of approximately 2,121.4 sq.m. to our tenants.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the property leasing revenue generated from Dufu Garden amounted to RMB360,000, RMB372,000, RMB372,000 and RMB331,000, representing 0.6%, 0.6%, 0.7% and 1.0%, respectively, of our revenue in the respective period.

In the late 1990s, we developed part of the land occupied by the commercial building (the “**Commercial Building**”) in Dufu Garden, outside the boundary of the land for which we have been granted the land use right pursuant to the relevant land use right grant documents, as part of Dufu Garden project. We have explained the situation to Chengdu Municipal Bureau of Land and Resources (成都市國土資源局) (the “**Land Bureau**”) and obtained a reply letter (the “**Reply Letter**”) from the Land Bureau in relation to the land used by Sing Kong City (關於成都新港城置業有限公司土地使用情況的覆函) on June 29, 2017. In the Reply Letter, the Land Bureau acknowledged the fact that (i) the total land area occupied by the entire Dufu Garden is 56,791.8 sq.m. which is less than the total area granted to Sing Kong City pursuant to relevant land use right grant contract by 2,455.1 sq.m.; (ii) the land occupied by the Commercial Building which is outside the boundary is approximately 585.4

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sq.m. (the “**Outside Land**”), among which approximately 228.8 sq.m. is state-owned unoccupied land and approximately 356.6 sq.m. is owned by Chengdu Main Road Construction Command Center (成都市幹道建設指揮部) (the “**Command Center**”); and (iii) Command Center has occupied a land of approximately 351.9 sq.m. which was granted to Sing Kong City for development of Dufu Garden. As of the Latest Practicable Date, we were undergoing the land inspection and checking procedure with the Land Bureau to confirm the area and boundary based on the current situation, and as advised by our PRC Legal Advisor, there is no legal impediment for us to complete the land inspection and checking procedure.

BUSINESS

Property Management Services Business

In order to maximize the value of our properties and keep our properties in a good condition, we have a property management team to manage Everbright Financial Center and Everbright International Mansion, for which we charge property management fees to the tenants of our properties and the other owner of Everbright International Mansion. Our services can be roughly divided into three categories: general property management services, value-added property management services, and parking management services.

General Property Management Services

Our property management activities primarily include:

(a) Security Services

We endeavor to provide high-quality security services to ensure that our properties are well protected. We installed surveillance cameras throughout the buildings and arrange our security personnel to supervise those cameras in our control center on a 24/7 basis. Our security personnel also patrol around the buildings on a regular basis.

(b) Cleaning and Gardening Services

We provide general cleaning, garbage collection, pest control and landscape maintenance services in the common areas of the buildings.

(c) Repair and Maintenance Services

We are generally responsible for the repair and maintenance of: (i) common area facilities such as lifts, escalators, toilets and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and the fire alarm system; (iii) security facilities such as entrance gates and surveillance cameras; and (iv) utility facilities such as electricity generator, water pumps and water tanks.

For general property management services, we charge the occupants a monthly/quarterly management fee calculated based on the total GFA occupied by them.

Value-added Property Management Services

In order to expand the scope, and enhance the quality, of our services, we provide value-added services to the occupants as a supplement to our general property management services. We charge a one-time fee for the services we provide. The scope of our value-added services includes:

(a) Hospitality Services: we provide a wide range of hospitality services to the occupants, such as surrogate driving services.

(b) Extensive Cleaning Services: primarily include carpet cleaning, floor polishing and additional cleaning services and pest control to the areas occupied by the occupants.

(c) Repair and Maintenance Services: primarily include cleaning of air ventilation fans and filters for air conditioners located in the areas occupied by the occupants.

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As a special service to China Bohai Bank, one of our long-term customers, we provide value-added property management services, including surrogate driving services, surveillance, front desk receptions services to its branches in Chengdu.

Parking Management Services

We operate and manage parking spaces located on the three levels of the basement in Everbright International Mansion, among which the first level is owned by Chengdu Municipal Government (成都市政府) and the second and third levels are owned by us. For cars parked in the parking spaces owned by us, we charge an hourly rate and in some cases, a monthly rate for regular parking. For management services we provide in connection with the first level of the basement in Everbright International Mansion which is also operated as parking spaces, we charge the owner, Chengdu Municipal Government, a fixed management fee based on the gross floor area.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the revenue generated from provision of property management services amounted to RMB17.5 million, RMB18.5 million, RMB19.0 million and RMB10.2 million, respectively, representing 30.6%, 31.2%, 33.9% and 31.3%, respectively, of our total revenue in the respective period. The table below sets forth the breakdown of the revenue we generated from different types of property management services:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	Revenue (RMB'000)	%	Revenue (RMB'000)	%	Revenue (RMB'000)	%	Revenue (RMB'000) (Unaudited)	%	Revenue (RMB'000)	%
General Property Management Services	10,550.5	60.4	10,832.7	58.4	10,290.4	54.2	5,124.4	55.2	5,183.5	50.6
Value-added Property Management Services	4,831.5	27.7	5,121.6	27.6	6,201.0	32.6	3,041.8	32.7	3,976.5	38.8
Parking Management Services	2,076.2	11.9	2,583.0	14.0	2,509.2	13.2	1,123.6	12.1	1,087.3	10.6
Total	<u>17,458.2</u>	<u>100.0</u>	<u>18,537.3</u>	<u>100.0</u>	<u>19,000.6</u>	<u>100.0</u>	<u>9,289.8</u>	<u>100.0</u>	<u>10,247.3</u>	<u>100.0</u>

CUSTOMERS

Our customers are primarily the tenants of our properties as well as the other owner of Everbright International Mansion who owns the rest of the property and engages us for provision of property management services. We endeavor to maintain a stable relationship with our customers. As of the Latest Practicable Date, we had a total of 32 customers, among which 22 had a relationship with us for more than five years. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our five largest customers in terms of revenue contribution, all of which are the tenants of our properties, accounted for approximately 50.0%, 50.2%, 58.1% and 54.1% respectively, of our total revenue in the respective periods, and our largest customers in terms of revenue contribution accounted for approximately 14.5%, 14.2%, 16.8% and 17.7%, respectively, of our total revenue for the relevant periods. Except for CE Bank Kunming Branch, which is a connected person of our Group, none of our Directors and their close associates nor our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our five largest customers.

BUSINESS

The table below sets forth our five largest customers in terms of revenue contribution during the Track Record Period:

Tenants	Leased GFA as of the Latest Practicable Date (sq.m.)	Percentage of Total Leased GFA as of the Latest Practicable Date (%)	Years of Relationship	Expiration Date of Current Lease	Revenue for the year ended December 31,			Revenue for the six months ended June 30,						
					2014	2015	2016	2016	2017					
					Amount	Amount	Amount	Amount	Amount					
China Bohai Bank.....	6,017.1	8.4	9	September 2018	(RMB'000) 8,277	(RMB'000) 14.5%	(RMB'000) 9,395	(RMB'000) 16.8%	(RMB'000) 4,484	(RMB'000) 16.3%	(RMB'000) 5,813	17.7%		
Ren Ren Le Commercial Co., Ltd	13,354.2	18.5	12	August 2023	7,298	12.8%	7,307	13.0%	3,638	13.2%	3,712	11.4%		
CE Bank Kunming Branch	10,836.7	15.0	12	December 2019	5,289	9.3%	6,084	10.2%	3,013	11.0%	2,647	8.1%		
Customer A ⁽¹⁾⁽²⁾	3,191.5	4.4	8	December 2016 ⁽⁶⁾	—	—	4,173	7.0%	4,431	7.9%	2,172	7.8%		
Virtuos Computer Software (Chengdu) Co., Ltd ⁽³⁾	5,424.3	7.5	4	November 2019	—	—	3,834	6.5%	—	—	—	—		
Customer B ^{(1)&(4)}	4,779.2	6.6	9	December 2017	3,980	7.0%	—	5,812	10.4%	2,692	9.8%	2,984	9.1%	
Customer C ⁽⁵⁾	—	—	7	—	3,676	6.4%	—	—	—	—	—	—		
Total					28,520	50.0%	29,820	50.2%	32,503	58.1%	15,999	58.2%	17,693	54.1%

Notes:

- (1) This customer is a government agency.
- (2) This customer was also our customer for the year 2014 but not among our five largest customers in terms of revenue contribution in that year.
- (3) This customer was also our customer for the years 2014 and 2016 and the six months ended June 30, 2017 but not among our five largest customers in terms of revenue contribution in those periods.
- (4) This customer was also our customer for the year of 2015 but not among our five largest customers in terms of revenue contribution in that year.
- (5) This customer was no longer our customer since December 31, 2015. In 2015, this customer was not among our five largest customers in terms of revenue contribution.
- (6) The lease agreement with this customer expired on December 31, 2016. However, the customer has indicated its intention to renew the lease and continues to occupy the properties. As of the Latest Practicable Date, this customer was still undergoing internal approval procedure to renew the lease. The rents for the first half of 2017 were paid by this customer in accordance with the expired lease agreement.

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Tenant Profile

We carefully select tenants based on credit histories, reputations and sustainability of their businesses. Before we enter into the lease agreements with potential tenants, we normally conduct a background check on the potential tenants. This background check normally includes a check with the local AIC to confirm if the company is legally established and operates a sustainable business and interview with or visit to the potential tenants to obtain first hand information.

As of the Latest Practicable Date, we had a total of 32 tenants, among which 29 were tenants for commercial properties and three were tenants for residential properties. The following table sets forth a breakdown of our tenants of our investment properties by industry sector as of the Latest Practicable Date:

	Leased GFA (sq.m.)	Percentage of Total Leased GFA (%)
<i>For Commercial Properties</i>		
Banks and Financial Institutions	19,118.0	26.5
Government Agencies	12,495.5	17.4
Internet and E-commerce	9,669.9	13.4
Retail and Gym	26,326.2	36.6
Others	3,187.2	4.4
<i>For Residential Properties</i>	1,241.8	1.7
Total	<u>72,038.6</u>	<u>100.0</u>

Lease Agreements

We negotiate and enter into a written lease agreement with each of our tenants. The major terms of our lease agreements are set forth below:

- (a) **Term of Lease:** We adopt a flexible policy when negotiating the term of leases with our tenants. The factors we consider normally include the (i) total leasing area; (ii) quality of the tenant; (iii) level of the rent; and (iv) usage of the properties. For commercial properties, the term of the lease is normally less than five year for properties used by our tenants as offices and more than 10 years for properties used as retail and other commercial purposes. For residential properties, we tend to enter into long term leases (normally more than 10 years) with our tenants;
- (b) **Rent-free Period:** For leases with a term of more than three years, we generally grant a rent-free period ranging from one to three months to our new tenants for the purposes of renovation. We do not charge rent during the rent-free period;
- (c) **Deposit:** After entering into the lease, the tenant is required to provide a security deposit equal to one to three months' rent. Security deposits are unsecured and do not bear interest;
- (d) **Rent:** The tenants are required to pay agreed rent for a period (normally one to six months) in advance. We generally have the right to deduct the same amount of rent owed from the deposit and impose a penalty fee of 1% to 2% of overdue rent in case the tenant delays its rent payment by 30 days or more without rectification;

BUSINESS

- (e) **Termination:** The lease can be terminated by mutual agreement between parties. Generally a one to three-month notice shall be given by the tenant for termination of the lease for office spaces before expiration with certain amount of penalties imposed. Our leases for retail and commercial spaces generally do not contain a clause for early termination upon notice by the tenants;
- (f) **Renewal:** The tenants generally have an option to renew their leases for an additional term by providing written notice during a specified period of time (normally one to three months for office spaces and three months for retail and commercial spaces) before the lease expires if they wish to renew the lease. Tenants are generally deemed to have given up their option to renew if they fail to provide such notice within the prescribed period. Rent for the additional term is determined through negotiation between the tenant and us.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of MOHURD. As of the Latest Practicable Date, there were a total of 14 leases of our properties which had yet to be registered with relevant authorities, primarily due to the difficulty of gaining cooperation from the tenants. As advised by our PRC Legal Advisor, such agreements are valid and shall be binding on the parties even without having completed the statutory lease registration. We have been taking proactive steps to liaise with the tenants to register the leases. Our PRC Legal Advisor further advised us that considering that (i) the maximum penalty for failing to register the leases is RMB140,000 in total (RMB10,000 per lease); and (ii) the non-registration of leases will not affect their validity or effectiveness, the failure to register leases does not have material adverse impact on our operation. In order to prevent any similar incidents in the future and mitigate our liabilities which may arise therefrom, we will include a clause in the lease agreement newly entered into or renewed, which provides that the tenant (i) is obliged to register the lease agreement with the relevant authority, and (ii) is responsible for any losses or penalties arising from non-registration of the lease agreement.

Expiration and Renewals of Lease Agreement

Tenants generally have an option to renew their leases for an additional term by providing written notice during a specified period of time (normally one to three months for office spaces and three months for retail and commercial spaces) before the lease expires if they wish to renew the lease. Tenants are generally deemed to have given up their option to renew if they fail to provide such notice within the prescribed period. Rent for the additional term is determined through negotiation between the tenant and us.

The following table sets forth details of expiration in respect of leases of our investment properties as of June 30, 2017 which are scheduled to take place during the periods indicated:

Period	GFA of Leases Expiring (sq.m.)	Expiring Leases as Percentage of Total Leased GFA
2017 (from July to December)	7,134.0	10.2%
2018	8,941.0	12.7%
2019	15,792.3	22.5%
After 2019.....	31,030.4	44.1%
In the Process of Renewal ⁽¹⁾	<u>7,341.7</u>	<u>10.5%</u>
Total	<u><u>70,239.4</u></u>	<u><u>100.0%</u></u>

BUSINESS

Note:

- (1) The leases for the properties with a total GFA of approximately 7,341.7 sq.m. were expired as of June 30, 2017. As of the Latest Practicable Date, we had entered into renewed leases with these tenants except one tenant which was undergoing internal procedures to renew the lease. We have been in discussion with this tenant to settle its rents for the period when the properties were occupied by it based on the rent provided in the expired lease and will adjust the rents later in accordance with renewed lease agreement.

During the Track Record Period, three tenants terminated their leases before expiration, and we were able to secure replacement tenants after their departure. We did not experience any default by our tenants during the Track Record Period which had a material adverse effect on our business and financial results.

Property Management Service Agreement

For general property management services we provide to the tenants of our properties in Everbright Financial Center and Everbright International Mansion, we enter into a property management service agreement with each of our tenants at the same time when we enter into the lease agreement with them. We also enter into a property management service agreement with the other owner of Everbright International Mansion annually. The major terms of our property management service agreements are set forth below:

- (a) **Term:** The property management service agreements with our tenants have the same term as the lease agreements, while the property management service agreement with the other owner of Everbright International Mansion has a term of one year;
- (b) **Scope of the Services:** We provide general property management services to the tenants, including security services, cleaning and gardening services, and maintenance services. In addition to general property management services, we also provide parking spaces management services with respect to parking spaces on level 1 of the basement of Everbright International Mansion to the other owner of Everbright International Mansion; and
- (c) **Service Fee:** We charge the occupants a monthly/quarterly service fee calculated based on the total GFA occupied by them. The service fee is normally paid 10 to 30 days in advance.

Customer Relationship Management

We value a stable relationship with our customers. Our customers' feedbacks and evaluations are crucial for us to maintain a good relationship with them. We collect feedbacks from our customers through various channels, including (i) customers information center, which receives and handles customers' complaints and requests; (ii) surveys on tenants' satisfaction level with our properties and property management services which are conducted on an annual basis; and (iii) visits to our customers on a monthly basis and regular communications through email and by phone. We also believe our complimentary services have generated goodwill with our customers. We proactively provide weather information, holiday greetings, and safety instructions to our customers. We also invite our customers to participate in celebrations and cultural events that we host in our properties, which we believe can create a warm and welcoming environment in our properties. As of June 30, 2017, we had nine staff members working on customer relationship maintenance.

SUPPLIER

Due to the nature of our business, we do not have suppliers.

BUSINESS

SALES AND MARKETING

Marketing

We have a dedicated marketing team, who seek to identify suitable tenants. We actively and constantly conduct market research to understand the property leasing market in the areas where our properties are located and seek to accurately position our properties and identify potential tenants. We identify suitable tenants through various channels, including, among others, (i) referrals from existing tenants; (ii) our employee's marketing efforts, such as visits to potential tenants; and (iii) referrals from property agents. We also advertise on different media, including newspaper and internet, to promote our properties and services.

We engage property agents to refer potential tenants from time to time. We do not have long term agreements with any property agents and only engage them when there are empty spaces available for rent in our properties. If the tenant referred by the property agent enters into the lease agreement with us, the property agent will charge a one-off commission of the rent for one month, which we believe is in line with the local market practice. During the year ended December 31, 2014, we incurred a total of RMB17,670.0 commission fees to property agents. We did not incur any property agent commission fee for the years ended December 31, 2015 and 2016 and the six months ended June 30, 2017.

Pricing

Rent

We closely monitor the rent level of similar properties located in similar areas to our properties. We normally negotiate rent with potential tenants or tenants who seek to renew their leases based on (i) the prevailing market rent level; (ii) the area to be leased; (iii) the term of the lease; and (iv) the credibility and reputation of the tenants.

The following table sets out the average rent of our properties held for investment:

	For the year ended December 31,			For the six months ended June 30,
	2014	2015	2016	2017
	Average Rent ⁽¹⁾ (RMB/month/sq.m.)	Average Rent ⁽¹⁾ (RMB/month/sq.m.)	Average Rent ⁽¹⁾ (RMB/month/sq.m.)	Average Rent ⁽¹⁾ (RMB/month/sq.m.)
<i>Commercial Properties</i>				
Everbright Financial Center....	67.0	68.7	67.5	67.7
Everbright International Mansion ⁽²⁾	23.1	23.1	23.1	24.9
Ming Chang Building ⁽³⁾	44.2	45.6	43.9	42.6
<i>Residential Properties</i>				
Dufu Garden ⁽⁴⁾	24.2	25.0	25.0	25.2

Notes:

- (1) Average rent is calculated as average total property leasing revenue over the weighted average leased GFA during the periods indicated.
- (2) We own floor 1 to 4 and basement level 2 and 3 of Everbright International Mansion.
- (3) We own floor 1 to 4 of Ming Chang Building.
- (4) We own three villas which we held for investment purposes in Dufu Garden.

BUSINESS

General Property Management Fee

For our general property management services, we charge the occupants of Everbright Financial Center and Everbright International Mansion on a monthly/quarterly basis for services we provide. These fees are decided based on a unit price multiplying the total GFA occupied by the occupants. We normally determine the unit price based on (i) the prevailing market prices, (ii) the cost we incurred, and (iii) negotiations with the occupants.

The following table sets forth the average unit price for our general property management services:

	For the year ended December 31,			For the six months ended June 30,
	2014	2015	2016	2017
	Average Unit Price ⁽¹⁾ (RMB/sq.m./month)	Average Unit Price ⁽¹⁾ (RMB/sq.m./month)	Average Unit Price ⁽¹⁾ (RMB/sq.m./month)	Average Unit Price ⁽¹⁾ (RMB/sq.m./month)
Everbright Financial Center.....	15.2	15.5	16.4	16.4
Everbright International Mansion	9.5	9.7	9.9	10.0

Note:

- (1) Average unit price is calculated as average total property management revenue for the periods indicated divided by weighted average GFA based on the property management contracts for the periods indicated.

Value-added Property Management Service Fees

We charge a one-time fee for the value-added property management services we provide. These fees are generally determined by (i) the nature of the services provided; (ii) the cost we incurred; (iii) negotiations with the tenants; and (iv) the prevailing market prices.

Parking Management Services

We charge an hourly rate for cars parked in the parking spaces owned by us in Everbright International Mansion and in some cases we charge a monthly rate for cars regularly parked in our properties. We normally take into the consideration (i) the guidance price issued by the local pricing bureau; (ii) the cost we incurred; and (iii) the prevailing market price. For parking services, the local pricing bureau normally provides a benchmark price and allows us to charge an hourly rate floating within a certain range as provided by the bureau. We are required to file our hourly rates with the local pricing bureau.

PROPERTY SELECTION AND ACQUISITION

We intend to expand our property portfolio and business through investment in or acquisition of other commercial properties. We mainly take a market-driven but cautious approach in assessing potential investment or acquisition targets.

The factors we would normally consider when evaluating a potential target include, among others:

- (a) **Location of the properties:** We consider the location of the properties as being crucial to their marketability in terms of attracting stable and high quality tenants. We intend to target properties which are located in the city commercial or financial centers where they can be accessed by various public transportation means and are surrounded by ample amenities;

BUSINESS

- (b) **Quality of the properties:** The maintenance cost largely depends on the age and quality of the properties. We consider the quality of the properties as one of the key factors when assessing potential target properties. Our management team has extensive experience in the property development industry, which provides us with an advantage in evaluating the quality of the properties;
- (c) **Local political and legal environment:** A relatively stable and transparent political and legal environment of the country where the target properties are located is important to guard the value of our investment and the safety of the properties. In addition, the conditions of the political and legal systems can also impact the local economic development and thus affect the prospects of our investment and value of the properties;
- (d) **Local economic condition:** The general economic conditions of the country and city where the target properties are located will impact the value of the properties. Furthermore, the nature of the tenant's business may also be affected by local economic conditions, which in turn affects the rental income generated from the target properties;
- (e) **Stable tenant base:** A stable tenant base is the key for the property to generate a stable and recurring revenue. We intend to target properties which have an established tenant base to save us from incurring additional time and costs to market the properties or attract new tenants; and
- (f) **Local market condition:** The market condition of the commercial real-estate market, especially the competition, would significantly affect the value of the property and rent level, and in turn affect the return and profitability of our investments in the target properties.

Once a potential target is identified, we plan to (i) conduct a due diligence visit to the target property to understand the local economy, political and legal environment and conditions of the property; (ii) employ professional advisors, including property valuers, accountants and legal advisors to conduct thorough investigation on the target property; and (iii) conduct an extensive risk evaluation on the target property. In addition to the search for suitable target property in the southwest region of China, we also plan to leverage on the depreciations of the British sterling and focus our target search in the U.K., particularly in London and other major cities of the U.K.. As of the Latest Practicable Date, we were in the process of identifying suitable targets and had not yet identified specific targets.

COMPETITION




The competition of commercial real estate market in Chengdu, Sichuan province and Kunming, Yunnan province, has been keen with an increasing demand and supply. On the supply side, the commercial property market is considerably fragmented. Our existing and potential competitors include traditional large-scale property developers with businesses spanning across various countries and cities, local private developers, as well as international and domestic institutional and individual investors conducting in en-bloc and strata-title transactions. Some of these firms provide in-house general and value-added property management services whilst outsourcing to third-party property management specialists is a common practice. The office property investment activities have been vigorous in Chengdu, thronged with foreign and local investors. We compete with them on brand recognition, financial resources, price, product quality, service quality and tenant base.

We invest in and manage commercial properties. In Chengdu, in addition to owning and leasing properties, we diversified our business to provision of property management services, including general property management services, value-added property management services and parking management services to our customers. We believe the brand recognition and market presence as a reputable provider of quality commercial spaces and one-stop property management services have established a competitive strength to distinguish us from competitors.

BUSINESS

Furthermore, there are a number of barriers to enter the PRC commercial property investment and management market. Apart from requiring intensive capital investment and various kinds of expertise, property investment and management firms have to possess in-depth industry knowledge, a broad and high quality customer base, a good understanding of macro-socio-economic environment, local government policies, and demand for different types of properties in each city. Maintaining a good relationship with local government and authority is conducive to strategic cooperation and exploration of business opportunities in future. Therefore, as a first-mover in the real estate market in Chengdu and Kunming, we possess a wide range of experiences and have developed the market reputation that is another competitive advantage over new entrants.

INTELLECTUAL PROPERTY

We conduct our business under “Everbright Grand China Assets Limited” as our corporate name and  as our logo. We have been granted a non-exclusive right to use seven trademarks (including “”) in Hong Kong and three trademarks (including “”) in the PRC. For details of these trademarks and license agreements, see “Appendix V — Statutory and General Information — A. Further Information about Our Group — 7. Intellectual Property Rights of Our Group” and “Connected Transactions — Fully Exempt Continuing Connected Transactions — Hong Kong Trademark License Agreement” and “— PRC Trademark License Agreement”. As of the Latest Practicable Date, we had completed registration of the trademark “永年”, which we consider to be material in relation to our Group’s business in Hong Kong.

LICENSES AND QUALIFICATIONS

The table below sets forth the details of the qualifications obtained by our PRC subsidiaries for property management services as of the Latest Practicable Date:

<u>PRC subsidiary</u>	<u>Qualification</u>	<u>Issuance Date</u>	<u>Expiry Date</u>	<u>Classification</u>
Property Management	Qualification Certificate for Property Management Enterprise in the People’s Republic of China (中華人民共和國物業服務企業資質證書)	June 28, 2016	June 27, 2021	Level three
International Mansion	Qualification Certificate for Property Management Enterprise in the People’s Republic of China (中華人民共和國物業服務企業資質證書)	September 11, 2006	Long-term	Level three

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we had complied with all relevant PRC laws and regulations in all material respects and had obtained all material approvals, licenses and permits from relevant regulatory authorities for our operations in China, and there was no substantial legal impediment in renewing any existing licenses, approvals and permits where necessary.

BUSINESS

If we fail to maintain our qualification certificates upon expiry, our development plans may be delayed, which could have a material adverse effect on our business and results of operations.

EMPLOYEES

As of the Latest Practicable Date, we had 166 employees. The salaries of our employees are mainly dependent on seniority and performance, and total compensation includes salaries, performance-based bonuses and special awards. For the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we incurred staff costs of approximately RMB11.2 million, RMB12.8 million, RMB14.7 million and RMB9.0 million respectively. The following table shows a breakdown of our employees by function as of the Latest Practicable Date:

<u>Employee Type</u>	<u>Total Number of Employees</u>	<u>Percentage of Total Employees</u>
Property Management	133	80.1%
Administrative	21	12.7%
Marketing	3	1.8%
Accounting	9	5.4%
Total	166	100.0%

The following table shows a breakdown of our employees by location as of the Latest Practicable Date:

<u>Location</u>	<u>Total Number of Employees</u>	<u>Percentage of Total Employees</u>
Chengdu	158	95.2%
Kunming	2	1.2%
Hong Kong	6	3.6%
Total	166	100.0%

We believe that our employees are one of our most valuable assets and have greatly contributed to our success. We provide both in-house and external training to our employees to enhance their knowledge and experience of our corporate culture, our properties, our sales techniques and information technology skills, and provide training to individual employees according to their respective job descriptions.

According to the relevant regulations and rules in the PRC, we are required to provide our employees in the PRC with medical insurance, pension insurance, unemployment insurance, maternity insurance, workplace injury insurance, employee's housing fund and other benefits. Except for the above annual contributions, we are not responsible for other employee benefits.

Currently all of our employees are hired pursuant to the terms of a written employment contract, which specifies the employee's position, responsibilities, remuneration and grounds for termination. We also enter into short-term labor contracts (e.g. one year) with certain retired employees who are willing to continue their employment with us.

As of the Latest Practicable Date, we had not experienced any strikes or other material labor disturbances which had interfered with our operations, and we believe that we have positive relations with our employees.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROLS

We have established a comprehensive risk management and internal control system, which consists of an organizational framework, as well as policies, procedures and risk management methods that we consider to be appropriate for our business operations. The system is designed to allow us to identify, report and address, in a timely and systematic manner, those risks and incidents that may significantly affect our performance or otherwise expose us to significant losses, liability or non-compliance with relevant laws and regulations, and we are dedicated to continually improving such system. Our risk management system comprises the formulation and implementation of a set of policies and procedures relating to relevant risk areas, such as legal compliance, including compliance with contracts, laws and regulations, financial control, construction, safety, health, and environmental matters. We are constantly monitoring the effectiveness of our risk management system. Our internal control system covers various aspects of our operations, including information system control, procurement and accounts payable control, fixed assets control, cash management, compensation management and financial reporting control.

We have established an audit committee in compliance with the Listing Rules and the Code and Corporate Governance Practices as set out in the Listing Rules. The audit committee is responsible for providing an independent view of the effectiveness of the financial reporting process, internal control, corporate governance and risk management systems of our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

In order to manage our external and internal risks and ensure the smooth running of our business, we have engaged an independent internal control reviewer (the “**IPO Internal Control Reviewer**”) in December 2016, to assist our Group to perform long-form review procedures on certain aspects of the internal control system and provide recommendations for improving our internal control system. The IPO Internal Control Reviewer provides a wide range of professional services including corporate governance assessment and design, enterprise risk assessment, internal audit and compliance consultancy and advisory services and is experienced in providing consultancy services in internal controls and performing independent review on internal control and risk management systems. The aspects of our internal system on which the IPO Internal Control Reviewer has conducted long-form review procedures include revenue, purchase, investment management, and cost management, fixed assets management, human resources financial management and information technology.

The long-form procedures performed by the IPO Internal Control Reviewer were conducted in January 2017, and resulted in a number of findings and recommendations. We have taken the necessary remedial actions accordingly. The IPO Internal Control Reviewer also performed follow-up procedures on our Company’s system of internal controls in March 2017, with regard to the remedial actions taken by our Company. As of the Latest Practicable Date, there were no material internal control issues outstanding.

ENVIRONMENTAL MATTERS AND OCCUPATIONAL SAFETY

We are subject to various PRC laws and regulations with respect to labor, health, safety insurance and accidents. In compliance with the relevant PRC laws and regulations, we participate in various social welfare schemes for the benefit of our employees. See “— Employees” for details. Our human resources department personnel are responsible for our social, health and safety issues. They administer employment and related matters and have knowledge of the latest legal developments in this area and our compliance with the relevant requirements. In addition, we have established internal policies aimed at promoting work safety through measures such as conducting safety trainings and setting up safety goals in order to promote a safe work environment and minimize workplace injuries. We also maintain employer liability insurance to protect us from any liabilities arising from injuries to our on-duty employees. During the Track Record Period and up to the Latest Practicable Date, there had been no reported case of accident causing the death of, or material bodily injury to, any of our on-duty employees.

BUSINESS

In addition, we are also subject to PRC national and local environmental laws and regulations. We have undertaken wastewater and solid waste disposal and processing measures such as (i) installing proper wastewater treatment devices as required by PRC laws and regulations to process the wastewater in our building; (ii) daily collection of solid waste for which we have contracted qualified waste management companies to dispose of; and (iii) timely payment of wastewater processing fees to the relevant authorities.

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events. For each of our properties, we maintain property insurance covering all risks and protection against fire, explosions, floods, earthquakes, broken glasses and water pipeline bursts. For our property management services, we maintain property management liability insurance to protect us against any liabilities that may arise during the provision of our services, such as the malfunction of elevators, escalators or other equipment.

We believe our insurance coverage is in line with industry practice in the PRC, and we have not faced any material insurance claims during the Track Record Period. However, our insurance coverage may not adequately protect us against certain operation risks and other hazards, which may have a material adverse effect on our business. See “Risk Factor — Risks relating to our business and industry — We may not have adequate insurance coverage to cover our potential liability or losses” for details.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

As of the Latest Practicable Date, we were involved in one outstanding lawsuit. In 2014, our wholly-owned subsidiary, Sing Kong City, initiated arbitration proceedings against an individual, who is an Independent Third Party (the “**Defendant**”), seeking the payment under the sale and purchase agreement (the “**First Agreement**”) dated August 25, 2003 for sale and purchase of a property located in Dufu Garden and the relevant underground parking spaces (the “**Properties**”). The Chengdu Arbitration Committee, which was the agreed arbitrator for the dispute, issued the arbitration decision which awarded us all the payment (including the default payment) under the First Agreement. On September 4, 2014, the Intermediate People’s Court of Chengdu Municipal accepted our application for enforcement of the award. Sichuan Jiuzhou Mining Co., Ltd (四川九州礦業有限公司) (the “**Plaintiff**”), which is an Independent Third Party and non-party to the lawsuit, commenced legal proceedings against the enforcement of the award in the People’s Court of Chengdu Wuhou District since its previous opposition to the enforcement was rejected.

The above proceedings arose out of the ordinary course of our business operations. We believe the outcome of this claims, whether in favor or against us, will not have material adverse effect on our financial condition, results of operations and business, as the amounts claimed, individually or in the aggregate, are not material to our overall operations.

Regulatory Compliance

Our Directors also confirm that our Company and its subsidiaries are not involved in any other material incidents of non-compliance in our business operations. During the Track Record Period and up to the Latest Practicable Date, our Directors were not aware of any material administrative, governmental or judicial investigations for non-compliance with any laws or regulations that is currently in progress or threatened.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

China Everbright Group indirectly holds the entire issued share capital of our Company through its directly wholly-owned subsidiary, CE Hong Kong, and its indirectly wholly-owned subsidiaries, Capital Century, Lucky Link and Top Charm. Immediately following the completion of the Global Offering, and assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of any options as may be granted under the Post-IPO Share Option Scheme, China Everbright Group will indirectly hold approximately 74.99% of the issued share capital of our Company through its wholly-owned subsidiaries namely, CE Hong Kong, Capital Century and Lucky Link and remain as our controlling shareholder. For further details relating to the shareholding structure of our Group, see “History, Reorganization and Group Structure — Global Offering”.

For the purposes of the Listing Rules, China Everbright Group, CE Hong Kong, Capital Century and Lucky Link, are regarded as controlling shareholders of our Company.

China Everbright Group is a wholly state-owned company established under the PRC laws on November 12, 1990 whose registered capital was wholly-contributed by the Ministry of Finance. On December 8, 2014, China Everbright Group was converted into a joint stock company and renamed as “China Everbright Group Corporation Limited”. As of the Latest Practicable Date, the Ministry of Finance and Huijin held 44.33% and 55.67% of the interests in China Everbright Group, respectively.

As advised by the PRC Legal Advisor, the Ministry of Finance is a PRC state ministry. It is authorized by the State Council to, among other things, (i) formulate strategies, plans, policies and reform programs on the development of public finance and taxation; (ii) draft laws and administrative regulations regarding public finance, financial affairs and accounting management; (iii) undertake the responsibilities for the management of fiscal revenues and expenditures of the PRC Central Government; (iv) be responsible for the management of the government’s non-tax revenues, governmental funds and administrative fees under relevant provisions; and (v) organize the formulation of rules on the treasury management. The Ministry of Finance does not engage in any commercial operating activities, nor does it involve in any daily operating activities of any of the enterprises controlled by it.

Huijin is a state-owned investment company that is authorized by the State Council to carry out equity investment in major state-owned financial enterprises and on behalf of the PRC exercises investors’ rights and performs investors’ obligations in key state-owned financial enterprises within the amount of subscribed capital contribution, to maintain and increase the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity and does not intervene in the day-to-day business operations of the entities in which it invests.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 1.01 of the Listing Rules so that the Ministry of Finance, CIC and Huijin shall not be regarded as controlling shareholders of our Company under the Listing Rules. As a result, the relevant requirements under the Listing Rules that are applicable to controlling shareholders do not apply to the Ministry of Finance, CIC and Huijin. In particular, among other things, this prospectus does not have to disclose information regarding the interests of the Ministry of Finance, CIC and Huijin in a business, apart from our Company’s business, which competes or is likely to compete, either directly or indirectly, with our Company’s business in accordance with Rule 8.10 of the Listing Rules. For details relating to the foregoing waiver, see “Waivers From Strict Compliance with the Listing Rules — Waiver and Confirmation in respect of the Ministry of Finance, CIC and Huijin”.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

BUSINESS DELINEATION BETWEEN US AND CHINA EVERBRIGHT GROUP

Principal Business of our Group

Our principal business comprises property leasing and provision of property management services based in the southwest region of the PRC, namely in Chengdu and Kunming (the “**Principal Businesses**”). As of the Latest Practicable Date, our property portfolio comprised three commercial properties in Chengdu and Kunming (including properties in Everbright Financial Center, Everbright International Mansion and Ming Chang Building) and various residential properties in Chengdu (including properties in Dufu Garden). See “Business — Overview” for details.

Principal Business of China Everbright Group

China Everbright Group is a finance holding company and does not directly conduct any business. It does not participate in our daily operations nor the daily operations of any of its other subsidiaries. It mainly develops its business through its subsidiaries, which primarily engage in the investment in and management of financial business (including banking, securities, insurance, funds, trust, futures, leasing and bullion trading) and non-financial business. As of December 31, 2016, the registered capital of China Everbright Group was RMB60,000 million. For the years ended December 31, 2015 and 2016, China Everbright Group recorded total operating revenue of RMB127,530 million and RMB131,335 million, respectively, and net profits of RMB40,267 million and RMB41,094 million, respectively.

Excluded Businesses

As of the Latest Practicable Date, apart from our Group, various subsidiaries of China Everbright Group conducted certain property holding, property investment, property leasing and/or property management activities in various cities including but not limited to Beijing, Dalian, Hong Kong, Shanghai and Shenzhen (the “**Excluded Businesses**”). The Excluded Businesses conducted by such subsidiaries generally include:

- (a) leasing of residential properties to their officers and employees;
- (b) leasing of office and commercial premises to other subsidiaries within China Everbright Group; and/or
- (c) leasing of properties to Independent Third Parties including:
 - (i) leasing that is ancillary or complementary to their businesses which are unrelated to our Principal Businesses (e.g. leasing of properties connecting to a self-operating hotel to third party tenants carrying on retail businesses, such that they can provide additional facilities and services to visitors and travelers staying at the hotel, which are ancillary or complementary to the hotel business carried on by such subsidiaries); and
 - (ii) leasing that is under the pre-existing lease agreements entered into by former property owner(s) prior to the acquisition of the properties by the relevant China Everbright Group’s subsidiaries, upon expiry of which is intended to be leased to China Everbright Group’s subsidiaries instead.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The subsidiaries of China Everbright Group (other than our Group) that conduct Excluded Businesses and their principal businesses and geographical locations are summarized as follows:

Name	Principal Business	Geographical Location
Listed Entities		
1. CE Bank	Banking	Changchun, Guangzhou, Nanjing, Qingdao, Sanya, Shanghai, Shantou, Shenzhen
2. CE International (including CE Greentech)	Environmental related business	Beijing, Dalian, Shenzhen
3. CE	Fund management and investment business	Hong Kong
Unlisted Entities		
4. CE Hong Kong	Investment holding	Shenzhen
5. Two private entities	Asset management, trust management and financial consulting, etc.	Gansu and Shenzhen
6. 14 other private entities	Property holding, property investment, property leasing and/or property management	Hong Kong, Shanghai and Shenzhen

The aggregate revenue generated by and the total value of the investment properties of China Everbright Group relating to all of the Excluded Businesses conducted through its subsidiaries (other than our Group) as compared to the total revenue and the total assets of China Everbright Group, for the two years ended December 31, 2015 and 2016, were as follows:

	For the year ended December 31,	
	2015	2016
Rental income (RMB in millions)	255	426
% of total revenue of China Everbright Group	0.2%	0.3%
Net asset value of investment properties (RMB in millions)	5,761	15,242
% of total assets of China Everbright Group	0.2%	0.3%

Basis of Delineation

Our Company considers that there is no substantive competing business or potentially substantive competing business between our Group and other subsidiaries of China Everbright Group for the following reasons:

- (a) **Geographical Delineation** — the properties leased and managed by our Group are located in Chengdu and Kunming within the southwest region of the PRC, whereas the Excluded Businesses undertaken by the other subsidiaries of China Everbright Group are located outside of the southwest region of the PRC. Our Group will continue to focus on its business development in the southwest region of the PRC and we have no current intention to expand into other regions of China. As such, there is no direct business competition between our Group and other subsidiaries of China Everbright Group;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) ***Impracticalities*** — it would be unreasonable and impracticable to require properties to be transferred to our Group because they are either held by listed subsidiaries or other unlisted subsidiaries of China Everbright Group, in respect of which they have been operating independently from each other under separate management teams;
- (c) ***Market Fragmentation*** — the landscape for property leasing and management industry is highly fragmented, owing to the economic growth in the PRC over the past decades, the growing number of properties and developments in the PRC, the increasing wealth and demand of the local residents and the growing number of investors in the PRC. The property leasing and management industry is also relatively easy to enter into and does not pose a high-entry level requirement or hurdle for new participants. As such, to the extent that there is any competition or potential competition between the property leasing and management businesses of our Group and the Excluded Businesses of any of the other subsidiaries of China Everbright Group, it is of no difference to other competitions encountered by our Group with other independent third parties;
- (d) ***Corporate Governance Mechanisms*** — each of CE International, CE, CE Bank and CE Greentech has, and our Group (upon the Listing) will have, corporate governance mechanisms in place to avoid conflict of interests in compliance with the applicable laws, regulations and the Listing Rules. In particular:
 - (i) our Company will adopt the Corporate Governance Code and comply with the relevant requirements for purposes of the Corporate Governance Report as set out in Appendix 14 to the Listing Rules;
 - (ii) any transaction made (or proposed to be made) between our Company and its connected persons will be required to comply with the announcement, reporting, circular and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and
 - (iii) to the extent that there are any overlapping directorships between our Group and any other subsidiaries of China Everbright Group, the relevant director who is considered to be interested in the relevant matter will be required to disclose his/her interests to the respective boards of directors and/or abstain from voting in meetings under the Listing Rules and the Articles, as the case may be. In these cases, our Company's independent non-executive Directors may advise and vote on the transactions, and can seek independent advice from external financial advisors if required, so that any decisions by our Board will be made independently and any potential conflict of interests will be adequately addressed. For details relating to overlapping directorships, see “— Independence from Our Controlling Shareholders — Management Independence”; and
- (e) ***Non-Competition Undertaking*** — to avoid or minimize the risk of any conflict of interests, China Everbright Group, our controlling shareholder, has provided our Company with the Non-competition Undertaking. See “— Non-Competition Arrangement and Undertakings” for details.

OUR BUSINESS RELATIONSHIP WITH CHINA EVERBRIGHT GROUP

Apart from leasing of properties to CE Bank Kunming Branch and CE Securities (which contributed property leasing income of approximately RMB6.02 million, RMB6.81 million, RMB6.35 million and RMB3.07 million, representing approximately 10.5%, 11.5%, 11.4% and 9.4% of the total revenue of our Group for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, respectively), our Group and China Everbright Group entered into a Deposit Service Framework Agreement on August 10, 2017 for the provision of deposit services by CE Bank to our Group. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the maximum daily closing balance of deposits (including

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

interests accrued thereon) placed by our Group with CE Bank were approximately RMB35.7 million, RMB38.7 million, RMB37.8 million and RMB21.2 million, respectively. In addition, our Group entered into a Loan Services Framework Agreement on December 18, 2017 for the provision of loan services by CE Bank Hong Kong Branch to our Group for purposes of acquisition of properties in the U.K.. See “Connected Transactions — Non-exempt Continuing Connected Transactions”.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Based on the following reasons, our Directors believe that we will be able to conduct our business independently from our controlling shareholders and their respective close associates (excluding our Group) upon the Listing:

Management independence

As of the Latest Practicable Date, our Board consisted of eight Directors, including two executive Directors, two non-executive Directors and four independent non-executive Directors.

Our chairman, Mr. Liu Jia, and our non-executive Directors, Ms. Tse Hang Mui and Mr. Li Yinzong, are also directors of various subsidiaries of China Everbright Group, which are carrying on Excluded Businesses, as set out below:

Name of Director	Position held in our Company	Position held in subsidiaries of China Everbright Group	Name of Companies conducting Excluded Businesses
Mr. Liu Jia	Executive Director	Director	Cheery Bright Limited Pan Mate Limited Health Policy Development Limited Luxury Assets Limited
Ms. Tse Hang Mui	Non-executive Director	Director	Lane Bright Limited Everbright Investment & Management Limited Health Policy Development Limited Wing Siu Company Limited Newepoch Group Limited 上海華夏立向實業有限公司 深圳中山物業管理有限公司
Mr. Li Yinzong	Non-executive Director	Director	深圳市中山投資有限公司 美光恩御(上海)置業有限公司 深圳光大置業有限公司 上海華夏立向實業有限公司 Lane Bright Limited Everbright Investment & Management Limited Sino Villa Holdings Limited Prospect Well Investment Limited Wing Siu Company Limited Gardex Investment Limited Luxury Assets Limited Cheery Bright Limited

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In addition, Mr. Liu Jia, our executive Director, Ms. Tse Hang Mui and Mr. Li Yinzhong, our non-executive Directors, are also directors of various other subsidiaries of China Everbright Group which do not carry on any Excluded Business.

To address any potential conflict of interests arising from his overlapping directorships in our Company and other subsidiaries of China Everbright Group, Mr. Liu Jia, our executive Director, has undertaken to our Company that, upon the Listing:

- (a) he will principally devote his time to managing and operating the businesses and affairs of our Group, and will undertake a non-executive or passive role in other subsidiaries of China Everbright Group in which he also acts as a director;
- (b) he will attend board and shareholders' meetings of the other subsidiaries of China Everbright Group only if he is specifically requested to do so and only if they relate to discussion and decision-making in respect of significant corporate actions (such as group reorganization, capital restructuring and material acquisitions and disposals of assets), and will not involve in the day-to-day operations and management of other subsidiaries of China Everbright Group; and
- (c) he will make decisions and vote in the best interests of our Group and abstain from voting on any resolution of the board of the other subsidiaries of China Everbright Group in respect of any contract or arrangement or any other proposal whatsoever should there be any conflict of interests arising from his overlapping directorships in our Company and in the relevant subsidiaries of China Everbright Group.

Insofar as it relates to Ms. Tse Hang Mui and Mr. Li Yinzhong, they are non-executive Directors, and therefore neither of them participates in our daily operation and management, as they only participate in the decision-making process of significant matters such as our operational strategies. As such, we do not consider that Ms. Tse Hang Mui's and Mr. Li Yinzhong's overlapping directorships would give rise to any substantive conflict of interests.

Except for Mr. Liu Jia, Ms. Tse Hang Mui and Mr. Li Yinzhong, none of our Directors and senior management of our Company holds any position in China Everbright Group or its subsidiaries (other than our Group) and they are independent from China Everbright Group.

Although Mr. Liu Jia, Ms. Tse Hang Mui and Mr. Li Yinzhong also hold positions in certain subsidiaries of China Everbright Group (other than our Group), our Directors believe that our Company is able to operate its business independently from China Everbright Group due to the following reasons:

- (a) our chairman and chief executive officer, Mr. Liu Jia, has provided our Company with an undertaking that he will, among other things, devote his time to managing and operating the businesses and affairs of our Group and our non-executive Directors will only participate in the decision-making of significant matters, such as our operating strategies, and not the day-to-day operations of our Group. In particular:
 - (i) none of our Directors and senior management holds any position in China Everbright Group and they therefore have little influence, if any, at the level of China Everbright Group, and our senior management, Mr. Lee Wai Kwong, does not hold any position in China Everbright Group or its subsidiaries (other than our Group);
 - (ii) our chairman and chief executive officer, Mr. Liu Jia, who oversees and coordinates the overall business operations and management of our Group, implements decisions and plans approved

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

by our Board, and makes day-to-day operational and managerial decisions of our Group. As noted above, to address any potential conflict of interests, Mr. Liu Jia has provided our Company with an undertaking that he will, among other things, principally devote his time to our Group and undertake a non-executive or passive role in other subsidiaries of China Everbright Group; and

- (iii) Ms. Tse Hang Mui and Mr. Li Yinzhong, as non-executive Directors of our Company, do not participate in our daily operation and management and only participate in the decision-making process of significant matters, such as our operational strategies;
- (b) each of our Directors is fully aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist;
- (c) our Directors believe that our Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company: (a) our independent non-executive Directors account for more than one-third of our Board; (b) our independent non-executive Directors do not and will not take up any position in China Everbright Group or its subsidiaries; (c) our independent non-executive Directors, details of whom are set out in “Directors and Senior Management”, together possess the requisite industry knowledge and experience for their views to carry weight, and (d) the majority of our independent non-executive Directors have experience as independent non-executive directors of listed companies, while the other independent non-executive Directors have attended training and confirmed their understanding of the duties and impartiality requirements for independent non-executive directors. Based on the above, our Company is of the view that the independent non-executive Directors will be able to provide impartial and professional advice, and our Directors believe that our independent non-executive Directors will bring independent judgment to the decision-making of our Board and will be able to protect the interest of our Company and our Shareholders as a whole;
- (d) each of our Directors will provide his/her written confirmation to the Hong Kong Stock Exchange in respect of his/her independence in accordance with the Listing Rules and undertaken to the Hong Kong Stock Exchange, among other things, to comply to the best of his/her ability with the Listing Rules from time to time in force, including informing the Hong Kong Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his/her independence. Each of our Directors must also provide an annual confirmation of his/her independence to our Company and such confirmation will be disclosed in our annual reports after the Listing; and
- (e) upon the Listing, our Company will implement the following corporate governance measures to avoid any potential conflicts of interest as a result of overlapping of Directors between us and China Everbright Group. Therefore, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that our Directors will perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole:
 - (i) the decision-making mechanism of our Board as set out in the Articles includes provisions to avoid conflicts of interest by providing, among other things, that subject to certain exceptions, Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of our Board in respect of any contract or arrangement or any other proposal whatsoever in which he/she or any of his/her close associates (or, if required by the Listing Rules, his/her other associates) has any material interest, and if he/she shall do so, his/her vote

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shall not be counted (nor is he/she to be counted in the quorum for the resolution). Pursuant to the internal policies to be adopted by our Company upon the Listing, in the event of conflicts of interest, when potential and actual conflicts arising from related party/connected transaction(s) are considered, the parties will also comply with applicable requirements of the Listing Rules and the relevant Directors who are related to/connected with China Everbright Group will abstain from voting, and shall not vote on behalf of other Directors;

- (ii) the independent non-executive Directors of our Company shall give their independent opinions to our Shareholders on the relevant related party/connected transaction(s) pursuant to the Listing Rules;
- (iii) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules;
- (iv) any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent shareholders' approval requirements (if applicable); and
- (v) our Company has appointed Oriental Patron Asia Limited as our compliance advisor and will appoint a Hong Kong legal advisor, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Based on the above, our Directors believe that our management team is independent from China Everbright Group, our Company can operate its business independently from China Everbright Group, and all of our Directors have relevant experience and ability to ensure proper and effective operation of our Board.

Operational Independence

During the Track Record Period, we did not rely on our controlling shareholders for our business activities and development of our businesses. Although the controlling shareholders will retain a controlling interest in our Company after the Global Offering, we believe that we can operate our business independently from our controlling shareholders due to the following reasons:

- (a) we hold or enjoy the benefit of all relevant licenses necessary to operate our businesses;
- (b) although we benefit from China Everbright Group's brand recognition, we have sufficient delineation of our principal businesses, an independent customer base and an independent management team to operate our respective businesses, and do not rely on any referral of customers or businesses from China Everbright Group, save for the lease agreements with CE Bank Kunming Branch and CE Securities. See "Relationship with Controlling Shareholders — Business Delineation between Us and China Everbright Group" and "Connected Transactions — Non-exempt Continuing Connected Transactions — Transactions in relation to Property Leasing" for details;
- (c) we can make decisions and carry out our own business operations independently;
- (d) we have our own organizational structure and departments independent from our controlling shareholders;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (e) we also maintain a comprehensive set of internal control procedures for promoting efficient business operation. With reference to relevant laws, regulations and rules, we have developed sound corporate governance practice and have adopted our rules of procedure for general meeting, rules of procedure for board meeting, rules of procedure for supervisory committee meeting (if relevant) and connected transactions regulations;
- (f) we own or have the right to use all the operational facilities relating to our business; and
- (g) we have sufficient capital, facilities and employees to operate our business independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group had its own internal control, accounting and financial management systems and functions, independent treasury functions for cash receipts and payments and we made financial decisions according to our own business needs.

None of our financial staff works for our controlling shareholders and/or their associates. We are capable of making financial decisions independently, and our controlling shareholders will not intervene how we decide to use our funds. We have established an independent audit system, a standardized financial and accounting system and a comprehensive financial management system. In addition, we manage our bank accounts independently, and do not have any joint bank accounts with our controlling shareholders and/or their associates. We conduct our tax registration and pay taxes independently according to the PRC tax laws and regulations, rather than on a combined basis with our controlling shareholders and/or their associates.

In addition, our Group does not rely on our controlling shareholders and/or their close associates for provision of financial resources. The loans provided by Capital Century that amounted to approximately RMB92.2 million and approximately RMB92.6 million for the two years ended December 31, 2014 and 2015 were repaid in full in 2016, and the management remuneration and other expenses paid by Capital Century on our behalf that amounted to RMB3.2 million, RMB3.4 million and RMB3.7 million for the three years ended December 31, 2014, 2015 and 2016, respectively, were waived by Capital Century on December 31, 2016. Save for a portion of the loans that was interest-free, the transactions were based on prevailing market rate in the ordinary and usual course of business and were conducted according to applicable and normal market usual practice and on normal commercial terms. See “Financial Information — Discussion of certain Items from the Statements of Financial Position — Amounts due from and to a related party” for details.

In anticipation of our Group’s proposed business expansion into the U.K., we have entered into the Loan Services Framework Agreement with CE Bank, which provides for prevailing market rate in the ordinary and usual course of business or better terms to our Group. See “Future Plans and Use of Proceeds — Use of Proceeds” and “Connected Transactions — Non-exempt Continuing Connected Transactions — Transactions in relation to loan services” for details.

As of the Latest Practicable Date, there were no outstanding guarantees or loans provided by our controlling shareholders to us. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our controlling shareholders.

Based on the above, our Directors believe that we have the ability to conduct our business independently from our controlling shareholders and its close associates from a financial perspective and are able to maintain financial independence from our controlling shareholders and their respective close associates. Except as disclosed in “Directors and Senior Management”, our Directors confirm that they do not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION ARRANGEMENT AND UNDERTAKINGS

In addition to the above corporate governance measures adopted by our Group (see “— Independence from Our Controlling Shareholders” for details), our Company has obtained the Non-competition Undertaking from China Everbright Group to cover the following:

- (a) a confirmation that the property investment, property leasing and property management business conducted by China Everbright Group (except for the properties owned by the listed companies within China Everbright Group) can be geographically delineated and hence do not substantively compete or potentially compete with the Principal Businesses of our Group;
- (b) an undertaking that China Everbright Group will not carry on any business which directly competes with our Group’s Principal Businesses;
- (c) an undertaking that China Everbright Group will, through its internal control procedures, procure that its existing or future wholly-owned subsidiaries, controlled subsidiaries and other companies which China Everbright Group has effective control do not directly or indirectly carry on property investment, property leasing and property management business in the southwest region of the PRC (including but not limited to Kunming and Chengdu) and in the U.K. which will substantively compete with our Group’s Principal Businesses;
- (d) an undertaking to give priority to our Group in any new business opportunities in relation to property investment, property leasing or property management in the southwest region of the PRC that are presented to China Everbright Group, its subsidiaries and entities that are directly or indirectly controlled by China Everbright Group (other than our Group) (the “**CEG Excluded Group**”) or by any third parties, or in the event that CEG Excluded Group proposes to transfer, sell or otherwise dispose of any rights or interests in its Excluded Businesses, based on equal terms; and
- (e) an undertaking that China Everbright Group will provide our Company with written confirmation in respect of its compliance with the Undertaking, and if needed, provide the independent non-executive Directors with necessary information for its annual review purposes and take appropriate measures to eliminate any substantive competition or prevent any such potential substantive competition.

Our Group currently does not intend to acquire any rights or interests in the Excluded Businesses and our Company is not aware of any current intention of China Everbright Group to transfer, sell or otherwise dispose of its Excluded Businesses.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

We have entered into a number of transactions with entities that will become our connected persons upon the Listing and such transactions are expected to continue after the Listing. Therefore, such transactions will constitute our continuing connected transactions under the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS


Following the Listing, the following transactions will be regarded as continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

Hong Kong Trademark License Agreement

Pursuant to the trademark license agreement dated March 7, 2017 entered into between CE Hong Kong and our Company, our Company has a non-exclusive license, non-transferable and royalty-free license to use the “中國光大 中国光大”, “CHINA EVERBRIGHT” and “” trademarks in Hong Kong (the “**Hong Kong Trademark License Agreement**”). China Everbright Group has registered such trademarks in its name and licensed the trademarks to CE Hong Kong under a trademark license agreement dated November 8, 2012, under which CE Hong Kong has the right to sub-license such trademarks to its subsidiaries, including our Company. Each license under the Hong Kong Trademark License Agreement is valid for as long as the relevant Hong Kong trademark remains registered.

The Hong Kong Trademark License Agreement will terminate automatically upon (i) mutual consent of the parties; (ii) termination of the trademark license agreement between China Everbright Group and CE Hong Kong relating to the relevant PRC trademarks; (iii) the cessation of our Company as a direct or indirect subsidiary (as defined in the Listing Rules and the Companies Ordinance) of CE Hong Kong; (iv) the dissolution or winding-up of our Company; or (v) the giving of a three months' prior written notice of termination by CE Hong Kong.

PRC Trademark License Agreement

Pursuant to the trademark license agreement dated June 12, 2017 entered into between China Everbright Group and our Company, our Company has a non-exclusive license, non-transferable and royalty-free license to use the “**光大**”, “**EVERBRIGHT**” and “” trademarks in the PRC (the “**PRC Trademark License Agreement**”). Each license under the PRC Trademark License Agreement is valid for as long as the relevant PRC trademark remains registered.

The PRC Trademark License Agreement will terminate automatically upon (i) the expiry of the term of the PRC Trademark License Agreement (i.e. upon the expiry of the registrations of all of the above PRC trademarks); (ii) mutual consent of the parties; (iii) the occurrence of a force majeure event; (iv) the termination of the PRC Trademark License Agreement pursuant to law or regulations, or pursuant to judgment, ruling or decision given by competent court or arbitral body; (v) the breach by our Company of the terms or obligations of the PRC Trademark License Agreement; (vi) the cessation of our Company being held as to 51% or more by China Everbright Group for whatever reason; and (vii) the reasonable discretion of China Everbright Group in determining that any action or inaction by our Company has caused damage or harm to China Everbright Group or its business or reputation, or breached the law, and China Everbright Group has given written notice to our Company to terminate the PRC Trademark License Agreement.

For details of the above Hong Kong and PRC trademarks, see “Appendix V — Statutory and General Information — A. Further Information about Our Group — 7. Intellectual Property Rights of our Group”.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the following transactions will be regarded as continuing connected transactions subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transactions in relation to deposits services

Connected person and relationship

China Everbright Group is a controlling shareholder of our Company and CE Bank is a subsidiary of China Everbright Group. Therefore, CE Bank is an associate of China Everbright Group and a connected person of our Company under the Listing Rules.

Background

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions with CE Bank on normal commercial terms whereby we receive deposit services from CE Bank in accordance with rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC (the “**Deposit Services**”). CE Bank is a licensed commercial bank registered with the CBRC.

In respect of the Deposit Services provided by CE Bank to our Group, we entered into a framework agreement with China Everbright Group on August 10, 2017 pursuant to the requirements under Chapter 14A of the Listing Rules on normal commercial terms for a fixed term not exceeding three years from the date of the agreement to December 31, 2019 (the “**Deposit Services Framework Agreement**”).

Under the Deposit Services Framework Agreement, China Everbright Group shall procure CE Bank to provide the Deposit Services to our Group at interest rates determined based on normal commercial terms and after arm's length negotiations between CE Bank and our Group that are no less favorable to our Group than the terms available to us from Independent Third Parties.

Historical transaction amounts

For the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the maximum daily closing balance of deposits (including interests accrued thereon) placed by our Group with CE Bank were approximately RMB35.7 million, RMB38.7 million, RMB37.8 million and RMB21.2 million, respectively.

Caps on future transaction amounts

Based on (i) the historical maximum daily closing balance of deposits (including interest accrued thereon) of our Group with CE Bank in previous years; (ii) the expected continuous growth in business and amount of deposits of our Group over the next three years; and (iii) the increasing amount of proceeds from the sale of various properties in Dufu Garden (which carried a market value of approximately RMB16.2 million as of June 30, 2017), our Directors estimate that the maximum daily closing balance of deposit amount under the Deposit Services Framework Agreement will not exceed RMB63.0 million for each of the financial years ending December 31, 2017, 2018 and 2019. For details relating to the sale of properties in Dufu Garden, see “Business — Our Business — Property Leasing Business — Our Property Portfolio — Dufu Garden”.

CONNECTED TRANSACTIONS

Listing Rules requirements

Since the highest of all applicable percentage ratios (other than the profits ratio) for the transactions under the Deposit Services Framework Agreement calculated in accordance with Rule 14.07 of the Listing Rules exceeds 5%, the transactions under the Deposit Services Framework Agreement are continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transactions in relation to loan services

Connected person and relationship

As noted above, CE Bank is an associate of China Everbright Group, which is one of our controlling shareholders, and is therefore a connected person of our Company under the Listing Rules.

Background

In anticipation of our proposed business expansion plans in the U.K., we may, following the Listing, enter into transactions with CE Bank, Hong Kong branch ("**CE Bank HK**") on normal commercial terms whereby we receive loan, financing and/or other lending facility services from CE Bank HK for the purposes of acquisition of properties in the major cities of the U.K.. CE Bank HK is a commercial bank licensed by the SFC, and therefore any such loan, financing and/or other lending facility services from CE Bank HK to our Group will be provided in accordance with relevant rules and regulations within and outside the PRC (collectively, the "**Loan Services**").

In respect of the Loan Services that may be provided by CE Bank HK to our Company and/or wholly-owned subsidiaries, we entered into a framework agreement with CE Bank HK on December 18, 2017 pursuant to the requirements under Chapter 14A of the Listing Rules on normal commercial terms (the "**Loan Services Framework Agreement**") for the provision of the Loan Services for a fixed term not exceeding three years from the date of any definitive agreement(s) signed thereunder, which may be renewed for a further three years prior to expiry of such term by mutual agreement.

Under the Loan Services Framework Agreement, CE Bank HK may provide, subject to internal approval procedures, the Loan Services in the maximum sum of HK\$300 million (or such other equivalent sum in U.S. dollars or British pounds) to our Group at interest rates determined based on market rates. Target properties that are acceptable to CE Bank HK shall be pledged to CE Bank HK. The Loan Services Framework Agreement is valid only if the loan is approved and the first draw-down is made within 12 months from the date of the Loan Services Framework Agreement.

Historical transaction amounts

For the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our Group had not received any Loan Services from CE Bank HK. However, given that CE Bank HK provides Loan Services in its ordinary and usual course of business, to provide flexibility to our Group and to enable our Group to enjoy any more favorable terms that may be provided to us by CE Bank HK than independent third parties, we entered into the Loan Services Framework Agreement for the purposes of receiving Loan Services from CE Bank HK for our proposed business expansion plans in the U.K..

Caps on future transaction amounts

Based on (i) the expected continuous growth of our Group; (ii) the business development plans in the U.K. and (iii) the financing needs of our Group over the next three years, our Directors estimate that the maximum

CONNECTED TRANSACTIONS

amount of Loan Services to be obtained from CE Bank HK under the Loan Services Framework Agreement for our proposed business expansion plans in the U.K. will not exceed HK\$300 million for each of the financial years ending December 31, 2017, 2018 and 2019.

Listing Rules requirements

Since the highest of all applicable percentage ratios (other than the profits ratio) for the transactions under the Loan Services Framework Agreement calculated in accordance with Rule 14.07 of the Listing Rules exceeds 5%, the transactions under the Loan Services Framework Agreement are continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transactions in relation to property leasing

Connected persons and relationship

As disclosed above, CE Bank is an associate of China Everbright Group and a connected person of our Company under the Listing Rules. Similarly, CE Securities is a subsidiary of China Everbright Group, who is our controlling shareholder, and is therefore a connected person of our Company under the Listing Rules.

Background

In the ordinary and usual course of business, Brighter Win, one of our major operating subsidiaries, has entered into and, following the Listing, expects to continue to enter into lease agreements with CE Bank and CE Securities, respectively, as tenants of Ming Chang Building on normal commercial terms (the "**Lease Agreements**").

The term of the Lease Agreements ranges from 2 to 20 years which can be renewed by agreement between the parties. All of the existing Lease Agreements will expire by December 31, 2019, save for one lease agreement entered into between Brighter Win and CE Securities that will expire on April 30, 2021 (the "**CE Securities Lease Agreement**"). These Lease Agreements also provide pre-emptive right for the tenants to renew and/or purchase the relevant premises.

The rents are agreed between the parties based on arms' length basis and normal commercial terms. Save for one of the Lease Agreements, which is discussed below, the rents payable under each of the Lease Agreements are subject to adjustments based on market rates of the comparable premises in the relevant area according to an agreed time schedule, and such adjustments are made every two to three years during the term of the relevant Lease Agreement (the "**Rent Adjustment Provisions**"). For shorter-term Lease Agreements such as those that have a fixed term of five years or less, the relevant adjustments to the rents are set forth in the Lease Agreements at the time of entering into the Lease Agreements. For long-term Lease Agreements such as those that have a fixed term of 15 to 20 years, the relevant adjustments to the rents for the earlier part of the term of the Lease Agreements are generally agreed at the time of entering into the Lease Agreements, while the relevant adjustments to the rents for the later part of the term of the Lease Agreements are subject to agreement between the parties based on the then market rates of the comparable premises.

One of the Lease Agreements, which was made between Brighter Win and CE Bank and dated November 1, 2011, which has a term of over eight years expiring on December 31, 2019 (the "**CE Bank Lease Agreement**"), does not contain any Rent Adjustment Provisions. We have appointed the Property Valuer to review the CE Bank Lease Agreement and the independent valuer has confirmed that the monthly rent under the CE Bank Lease Agreement is fair and reasonable commercial terms.

CONNECTED TRANSACTIONS

The long-term nature of the Lease Agreements provides stability for our Group's business operations. The continuation of such long-term Lease Agreements enables our Group to secure a steady property leasing revenue without interruption to its ordinary and usual course of business operations. In respect of the pre-emptive right to renew or purchase, it is easier for the landlord to secure a tenancy with an anchor tenant with the grant of such pre-emptive right. As such, our Directors (including the independent non-executive Directors) and the Joint Sponsors are of the view that a term exceeding three years (together with pre-emptive rights to renew and/or purchase by the tenants) is fair and reasonable commercial term, and that it is a normal business practice for agreements of this type to maintain such long term leases, allow renewal of such long term leases and/or give pre-emptive right to the tenants to purchase.

Historical transaction amounts

For the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the aggregate annual property leasing income under the Lease Agreements with CE Bank were approximately RMB5.29 million, RMB6.08 million, RMB5.57 million and RMB2.65 million, respectively. For the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the aggregate annual property leasing income under the Lease Agreements with CE Securities were approximately RMB730,000, RMB729,000, RMB785,000 and RMB418,000, respectively.

Based on the above, for the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the aggregate annual property leasing income under the Lease Agreements with both CE Bank and CE Securities were approximately RMB6.02 million, RMB6.81 million, RMB6.35 million and RMB3.07 million, respectively.

Landscape Christie's International Real Estate, the valuer appointed by our Company in connection with the Global Offering, has issued a letter confirming the rental rates of the related properties in relation to the Lease Agreements are fair and reasonable commercial terms.

Caps on future transaction amounts

Based on (i) the rents payable under the Lease Agreements; (ii) the market conditions; (iii) the historical rental adjustments; and (iv) the expectation that CE Bank and CE Securities will continue to lease premises of our Group, our Directors estimate that the aggregate property leasing revenue under the Lease Agreements with CE Bank will not exceed RMB6 million, and the aggregate property leasing revenue under the Lease Agreements with CE Securities will not exceed RMB1 million for each of the financial years ending December 31, 2017, 2018 and 2019.

Based on the above, our Directors estimate that the aggregate property leasing revenue under the Lease Agreements with CE Bank and CE Securities will not exceed RMB7 million for each of the financial years ending December 31, 2017, 2018 and 2019.

Listing Rules requirements

Since the highest of all applicable percentage ratios (other than the profits ratio) for the transactions under the Lease Agreements calculated in aggregate in accordance with Rule 14.07 and Rule 14A.86 of the Listing Rules exceeds 5%, the transactions under the Lease Agreements are continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In so far as it relates to the CE Bank Lease Agreement, we will negotiate and include Rent Adjustment Provisions in any supplemental lease agreement relating thereto or upon the renewal of the CE Bank Lease Agreement.

CONNECTED TRANSACTIONS

WAIVERS IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the transactions under the Deposit Services Framework Agreement, Loan Services Framework Agreement and the Lease Agreements are and will continue to be entered into in the ordinary and usual course of business of our Group on a continuing or recurring basis, our Directors are of the view that strict compliance with the announcement and independent shareholders' approval requirements would impose unnecessary administrative costs and burden to our Group and would be impracticable at times.

On the basis set out above, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt our Company from:

- (a) in respect of transactions contemplated under the Deposit Services Framework Agreement and the Loan Services Framework Agreement, the strict compliance with the announcement and independent shareholders' approval requirements for a period up to December 31, 2019, provided that the maximum daily closing balance of deposits under the Deposit Services Framework Agreement and the annual value of the transactions under the Loan Services Framework Agreement do not exceed the respective proposed daily closing balance of deposits and annual caps for the relevant period as set out above; and
- (b) in respect of transactions contemplated under the Lease Agreements, the strict compliance with the announcement and independent shareholders' approval requirements for a period up to December 31, 2019, subject to the conditions that:
 - (i) the annual value of the transactions under the Lease Agreements does not exceed the respective proposed annual caps for the relevant period as set out above; and
 - (ii) in so far as it relates to the CE Bank Lease Agreement, our Company will negotiate and include the Rent Adjustment Provisions in any supplemental lease agreement relating thereto or upon the renewal of the CE Bank Lease Agreement.

Furthermore, given the nature of the Deposit Services rendered under the Deposit Services Framework Agreement and our Group's financial needs to efficiently facilitate business operations, we are of the view that the caps set for the Deposit Services will be more appropriately expressed in terms of a maximum daily closing balance of deposits, rather than on an annual basis, under the Deposit Services Framework Agreement.

Our Company will re-comply, or (if applicable) apply for relevant waivers from the Hong Kong Stock Exchange from strict compliance, with the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules in respect of the Deposit Services Framework Agreement, the Loan Services Framework Agreement and the Lease Agreements if our Company expects that any of the respective proposed maximum daily closing balance of deposits and annual caps (as the case may be) set out above would be exceeded, a material change would be made to the terms of the agreement or the relevant agreement would be renewed.

In addition, our Company will comply with the annual reporting requirements specified in Rule 14A.49 and annual review requirements specified in Rules 14A.55 to 14A.59 in respect of the above non-exempt continuing connected transactions. Upon expiry of the waivers in respect of any non-exempt continuing connected transactions, our Company shall re-comply, or (if applicable) apply for relevant waivers from strict compliance, with the requirements of the applicable provisions of Chapter 14A of the Listing Rules as amended from time to time.

CONNECTED TRANSACTIONS

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that (i) the transactions contemplated under the Deposit Services Framework Agreement, the Loan Services Framework Agreement and the Lease Agreements have been entered into, and will be carried out, in the ordinary and usual course of our business and on normal commercial terms or better (or terms no less favorable to our Company than terms available to or from Independent Third Parties); (ii) the terms of transactions contemplated thereunder are fair and reasonable and are in the interest of our Company and our Shareholders as a whole; and (iii) the proposed maximum daily closing balance of deposits and annual caps (as the case may be) are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the transactions contemplated under the Deposit Services Framework Agreement, Loan Services Framework Agreement and the Lease Agreements have been entered into, and will be carried out in the ordinary and usual course of our business, on normal commercial terms or better (or terms no less favorable to our Company than terms available to or from Independent Third Parties); (ii) the terms of transactions contemplated thereunder are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and (iii) the proposed maximum daily closing balance of deposits and annual caps (as the case may be) are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

GENERAL INFORMATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Set out below is a table of summary of the general information regarding our Directors and senior management.

Name	Age	Position	Date of joining our Group	Date of Appointment	Roles and Responsibilities
Liu Jia (劉嘉)	52	Executive Director, chairman and chief executive officer	November 1991	September 1, 2000	Overseeing and coordinating the overall business operations and management of our Group, implementing decisions and plans approved by our Board, and making day-to-day operational and managerial decisions
Lin Zimin (林資敏)	58	Executive Director and general manager	August 27, 2010	November 25, 2010	Assisting the chairman in overseeing our daily operations and management, and managing the day-to-day business and operations of our Group
Tse Hang Mui (謝杏梅)	58	Non-executive Director	June 7, 2017	June 7, 2017	Participating in our Company's decision making on major matters, such as operational strategies, and overseeing the overall financial position of our Group
Li Yinzhong (李銀中)	53	Non-executive Director	June 7, 2017	June 7, 2017	Participating in our Company's decision making on major matters, such as operational strategies, and overseeing the auditing issues of our Group
Tsoi David (蔡大維)	70	Independent non-executive Director	December 15, 2017 ⁽¹⁾	December 15, 2017 ⁽¹⁾	Participating in our Company's decision making on major matters, such as operational strategies, and delivering independent opinion on major matters involving minority Shareholder interests
Shek Lai Him Abraham (石禮謙)	72	Independent non-executive Director	December 15, 2017 ⁽¹⁾	December 15, 2017 ⁽¹⁾	Participating in our Company's decision making on major matters, such as operational strategies, and delivering independent opinion on major matters involving minority Shareholder interests

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of Appointment	Roles and Responsibilities
Lee Jor Hung (李佐雄)	62	Independent non-executive Director	December 15, 2017 ⁽¹⁾	December 15, 2017 ⁽¹⁾	Participating in our Company's decision making on major matters, such as operational strategies, and delivering independent opinion on major matters involving minority Shareholder interests
Yu Pauline Wah Ling (于華玲)	69	Independent non-executive Director	December 15, 2017 ⁽¹⁾	December 15, 2017 ⁽¹⁾	Participating in our Company's decision making on major matters, such as operational strategies, and delivering independent opinion on major matters involving minority Shareholder interests
Lee Wai Kwong (李蔚剛)	42	Assistant general manager	June 20, 2010	November 25, 2010	Managing financial related matters of our Group

Note:

(1) Appointment will become effective on the Listing Date.

BOARD OF DIRECTORS

Our Board is responsible for the management and conduct of our business, and it has general powers to manage and run our day-to-day business operations. It consists of eight Directors, comprising two executive Directors, two non-executive Directors and four independent non-executive Directors.

Executive Directors

Mr. Liu Jia (劉嘉), 52, is our executive Director, chairman and chief executive officer and will be a member of the remuneration committee of our Board. Mr. Liu currently serves as a director and the chairman in three of our subsidiaries, namely Growing China, Brighter Win and Metallic Field. He is also the chairman of Finance Center and International Mansion, and the director of Square Field, First Step, Eastmate and Sing Kong City.

Prior to joining our Group, Mr. Liu served as the director and deputy general manager of Capital Century from November 1991 to December 2004, during which he was mainly responsible for the day-to-day operations and property investment and management of investment projects. Mr. Liu was promoted to be the general manager of Capital Century in December 2004, upon which he became responsible for the overall operational management and strategic development. He has been the chairman of Capital Century since August 2014. From August 1997 to March 2000, he served as the deputy general manager in the real estate department of CE Hong Kong and was responsible for the real estate business operations and management of CE Hong Kong's local and overseas property development and property investment projects. He re-joined CE Hong Kong as the executive director and deputy general manager in August 2014. As the executive director of CE Hong Kong, Mr. Liu was involved in several property investment projects, such as the acquisition of Dah Sing Finance Center, which is located in Wan Chai, Hong Kong. Mr. Liu served as the assistant manager in CE Bank from April to December 2000 and was responsible for assisting the manager to handle the bank's business.

Mr. Liu obtained a diploma of industrial and civil architecture in Jinling Vocational University* (金陵職業大學) in July 1986 and a postgraduate certificate of architecture, economics and management in

DIRECTORS AND SENIOR MANAGEMENT

Southeast University (東南大學) in August 1992. He has been a fellow of the Hong Kong Institute of Directors since July 2016.

When Mr. Liu served as the director of Capital Century, he was involved in legal proceedings at the Court of First Instance of Hong Kong with respect to the restoration and the subsequent dissolution of Easewin, a company incorporated in Hong Kong, in which Mr. Liu held 20% of the shares as a nominee for Capital Century. The other shares of Easewin were held as to 20% and 60% by another nominee of Capital Century and the initial shareholders of Easewin (the “**Initial Shareholders**”), respectively. Prior to the nominees of Capital Century becoming shareholders in Easewin, Easewin was a family company wholly-owned by the Initial Shareholders. It participated in the development of a real estate project through the joint venture company, Sing Kong City, pursuant to the joint venture agreement (the “**JV Agreement**”) entered into amongst Easewin and other entities in 1992.

In January 2001, Easewin was struck off from the register in Hong Kong by the Registrar of Companies as it failed to file annual returns with the Hong Kong Companies Registry.

In 2004, Capital Century applied to CIETAC for arbitration against Easewin alleging that Easewin failed to make its capital contribution to Sing Kong City when Sing Kong City was established in 1993. For further details of the history of Sing Kong City, see “History, Reorganization and Group Structure — Our Development — Development of our properties — Sing Kong City”.

Pursuant to the JV Agreement, each party was required to pay its respective capital contribution in full within one month upon execution of the JV Agreement, and if any party is in default, the other parties shall be entitled to terminate the JV Agreement and claim for damages. If CIETAC made a decision in favor of Capital Century, Easewin might lose all the interests it originally held in Sing Kong City. As a result, the Initial Shareholders applied to the Court of First Instance of Hong Kong for an order that Easewin be restored to the Registrar of Companies, on the ground that Easewin might have a claim to an interest or right in Sing Kong City. In November 2004, Easewin was ordered to be restored. CIETAC held that Easewin should pay damages in the sum of RMB477,000 (the “**Award**”) to Capital Century. In December 2005, Capital Century sought enforcement of the Award in the Court of First Instance of Hong Kong and obtained judgment against Easewin. In 2006, Capital Century initiated legal proceedings to wind up Easewin due to Easewin’s inability to pay the judgment debt in an enforcement of the Award. The court allowed the petition and made a winding up order against Easewin on September 20, 2006.

Mr. Lin Zimin (林資敏), formerly Lin Siping (林斯平), 58, is our executive Director and general manager and will be a member of the nomination committee of our Board. Mr. Lin currently serves as a director in nine of our subsidiaries (which are Growing China, Brighter Win, Metallic Field, Finance Center, International Mansion, Square Field, First Step, Sing Kong City and Eastmate). He has also been acting as the general manager of Sing Kong City and Finance Center since September 2014, and the chairman of Property Management since November 2010.

Prior to joining our Group, Mr. Lin had worked in the Fujian Province International Culture Exchange Center from 1985 to 2010. He served as the principal section member and deputy division chief since January 1985 and September 1989, respectively, during which periods he was responsible for international economic and cultural exchange and investment solicitation. From June 1995 to July 2010, he had served as the division chief and had been responsible for the coordination of international economic, cultural and scientific exchange. Mr. Lin joined Capital Century as an assistant general manager in August 2010 and has been responsible for the development of properties and management of the investment properties of our Group. He was promoted to be the deputy general manager and general manager of Capital Century in February 2012 and August 2014, respectively.

Mr. Lin obtained a bachelor degree in physics in Fujian Normal University (福建師範大學) in January 1982.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Ms. Tse Hang Mui (謝杏梅), 58, is our non-executive Director.

Ms. Tse joined CE Hong Kong as a secretary in the general affairs division in September 1987 and was promoted to secretary to vice president in December 1988. In October 1989, Ms. Tse was seconded to China Everbright Medicine Company Limited, a subsidiary of CE Hong Kong, as secretary and assistant manager. She was promoted to deputy administrative manager and the administration manager in the general management office of CE Hong Kong in December 1993 and December 1994, respectively. From April 1997 to February 2014, she served as an assistant general manager in the finance management department of CE Hong Kong, in which she was promoted to deputy general manager in February 2014. Her major duties in the finance management department included treasury management, financial analysis, capital budgeting and portfolio valuation. Prior to joining CE Hong Kong, Ms. Tse had been a secretary in Drs Anderson & Partners from May 1982 to July 1987, during which she mainly assisted in running the accounts office and undertaking the general secretarial work.

Ms. Tse obtained a diploma in management studies jointly awarded by The Hong Kong Polytechnic University and the Hong Kong Management Association in September 1993, a bachelor degree of commerce in management and marketing in Curtin University of Technology, Australia in April 1996, a master degree of arts in human resources management in Macquarie University, Australia in October 1997, and a postgraduate diploma in professional accounting in the Hong Kong Polytechnic University in November 2000. Ms. Tse became an associate of the Hong Kong Society of Accountants in April 2002 and was admitted as a fellow of the Association of Chartered Certified Accountants in June 2007. She is also an associate member of the Hong Kong Institute of Certified Public Accountants.

Ms. Tse was a director of Everbright Chung Cheong DVD Company Limited (“**Chung Cheong**”), a company incorporated in Hong Kong and conducted manufacturing business. In December 2003, compulsory winding up proceedings were initiated against Chung Cheong upon a petition filed by its creditor at the Court of First Instance of Hong Kong in pursuit of a court order to wind up Chung Cheong on the grounds that Chung Cheong was unable to pay its debts in a sum of HK\$2,602,315.5. Chung Cheong was ordered to be dissolved on February 4, 2004.

Ms. Tse also served as a director of the following companies prior to their dissolution:

<u>Company</u>	<u>Place of Incorporation</u>	<u>Nature of Business</u>
福州光大物業管理有限公司	PRC	Inactive
Jakeplan Holdings Limited	BVI	Investment holding
Starter Investment Limited	BVI	Investment holding
Asia Like Securities Limited	BVI	Investment holding
Riseland Limited	BVI	Inactive
Thai Wing Limited	BVI	Inactive

CE Hong Kong has confirmed that (i) CE Hong Kong directly or indirectly controlled the above companies prior to their dissolution; (ii) Ms. Tse served as a director of these companies as a nominee of CE Hong Kong; and (iii) according to the development strategies of CE Hong Kong, these companies were sold to third parties, dissolved because they had ceased to carry on business immediately prior to dissolution, or had entered into winding up proceedings with CE Hong Kong’s approval as they were unable to pay the debts or involved in legal proceedings.

Among the seven companies in which Ms. Tse served as a director prior to their dissolutions, only Chung Cheong was dissolved due to its inability to pay debts. Given that Ms. Tse was (i) only appointed to act as a

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replacement director of Chung Cheong for the then resigning director in October 2003, shortly before the commencement of the winding-up proceedings in December 2003; and (ii) Chung Cheong had already been operating at a loss before Ms. Tse's appointment, our Directors are of the view that the dissolution of Chung Cheong or its inability to pay debts was not caused by any wrongful act of Ms. Tse.

Based on the above, our Directors are of the view and the Joint Sponsors concur that Ms. Tse is suitable to act as a director of a listed issuer pursuant to Rules 3.08 and 3.09 of the Listing Rules.

Mr. Li Yinzhong (李銀中), 53, is our non-executive Director and will be a member of the audit committee of our Board.

Prior to joining our Group, Mr. Li served as the financial manager of the Shenzhen office of China Everbright International Trust Co., Ltd.* (中國光大國際信託有限公司) between August 1993 and May 1998. He had then served in the audit department of China Everbright Group from May 1998 to April 2000. Mr. Li joined CE Hong Kong as the assistant general manager in the financial management department in April 2000. Between March 2003 and January 2016, he had served as the deputy general manager in the investment management department of CE Hong Kong. He has also been serving as the general manager of the audit department of CE Hong Kong since January 2008. Since January 2016, he has served as the general manager of the audit department and the person-in-charge of the investment management department of CE Hong Kong. Since April 2017, Mr. Li has been appointed as a director of CE Hong Kong.

Mr. Li obtained a bachelor degree in economics in Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan University of Economics (中南財經大學)) in July 1987. Mr. Li has been a non-practicing member of the Chinese Institute of Certified Public Accountants since November 2004.

Mr. Li was a director of New Prospect Development Limited ("**New Prospect**"), an investment holding company incorporated in Hong Kong in August 1991 pursuant to a joint venture agreement entered into between CE Hong Kong and Ananda Holdings Limited ("**Ananda**") for the purpose of developing and operating a project called "Malaysian Cultural Village" (the "**Project**") in Singapore. Under the abovementioned agreement, the total investment amount of the Project was agreed to be SGD20 million, which were owned as to 70% and 30% by Ananda and CE Hong Kong, respectively.

In May 1992, CE Hong Kong agreed to contribute SGD6 million (approximately HK\$28.37 million) (the "**Capital Contribution**") to the capital of New Prospect. However, the persons in charge of Ananda (the "**Chan Brothers**") did not inject the Capital Contribution into New Prospect even though they held the interests in the Project in their own names.

CE Hong Kong initiated legal proceedings against Ananda and the Chan Brothers in 2002 to claim for the Capital Contribution. Ananda was ordered by the court in 2003 to be liquidated and was dissolved in 2010. After considering the risk and costs of the continuous claims, CE Hong Kong decided not to conduct further investigation or engage in lawsuits, and applied to the court to liquidate New Prospect in August 2010. New Prospect was ordered to be dissolved in October 2010 on the grounds that it was unable to pay the debts in a sum of HK\$28,110,535 and it was finally dissolved in March 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li also served as a director of the following companies prior to their dissolution:

Company	Place of Incorporation	Nature of Business
信港置業（上海）有限公司	PRC	Property investment
福州光大物業管理有限公司	PRC	Inactive
Stalic Holdings Limited	BVI	Inactive
Saffron Investments Limited	BVI	Inactive
Beyond Top Corporation	BVI	Inactive
Oriental Wealth Limited	BVI	Inactive
Asia Like Securities Limited	BVI	Inactive
Design Right Holdings Limited	BVI	Inactive
Marvel View International Limited	BVI	Inactive
Key Logic Group Limited	Thailand	Inactive

CE Hong Kong has confirmed that (i) CE Hong Kong directly and indirectly controlled each of the above companies prior to their dissolution; (ii) Mr. Li served as a director of these companies as a nominee of CE Hong Kong; and (iii) according to the development strategies of CE Hong Kong, these companies either were sold to third parties, dissolved because they had ceased to carry on business immediately prior to dissolution, or had entered into winding up proceedings with CE Hong Kong's approval as they were unable to pay the debts or involved in legal proceedings.

Among the 11 companies in which Mr. Li served as a director prior to their dissolutions, only New Prospect was dissolved due to its inability to pay debts. Given that Mr. Li was (i) only appointed as a director of New Prospect in July 2004 and he was not involved in its operation or management prior to his appointment, thus he was not aware of Amanda's failure to inject capital and its liquidation until his appointment; and (ii) Mr. Li was appointed as a director of CE Hong Kong only recently in April 2017, our Directors are of the view that the dissolution of New Prospect or its inability to pay debts was not caused by any wrongful act of Mr. Li.

Based on the above, our Directors are of the view and the Joint Sponsors concur that Mr. Li is suitable to act as a director of a listed issuer pursuant to Rules 3.08 and 3.09 of the Listing Rules.

Independent non-executive Directors

Mr. Tsoi David (蔡大維), 70, was appointed as our independent non-executive Director with effect from the Listing Date and will be the chairman of the audit committee of our Board.

Mr. Tsoi has been a director of Alliot, Tsoi CPA Limited since January 2006. He has been a certified public accountant since September 1981 with over 30 years of experience in accounting, auditing and financial management. He is also qualified as and has been:

- (a) a certified public accountant registered at the Hong Kong Institute of Certified Public Accountants;
- (b) a certified tax advisor registered at the Taxation Institute of Hong Kong;
- (c) a fellow of the Association of Chartered Certified Accountants since September 1981;
- (d) a fellow of the Institute of Chartered Accountants in England and Wales since May 2015;
- (e) a member of the Society of Chinese Accountants and Auditors since April 1987 and a fellow since December 2015;

DIRECTORS AND SENIOR MANAGEMENT

- (f) a fellow of the CPA Australia since November 2009; and
- (g) a member of the Chartered Professional Accountants of British Columbia, Canada since June 2015.

He has also been a non-executive director of the following listed companies, all of which are listed on the Hong Kong Stock Exchange:

- (a) MelcoLot Limited (stock code: 8198) from October 2001 to July 2017;
- (b) CRRC Corporation Limited (stock code: 1766) from March 2008 to June 2014;
- (c) Enviro Energy International Holdings Ltd (stock code: 1102) from July 2008 to June 2017;
- (d) Universal Technologies Holdings Limited (stock code: 1026) since June 2013;
- (e) Guru Online (Holdings) Limited (stock code: 8121) since May 2014;
- (f) VPower Group International Holdings Limited (stock code: 1608) since October 2016;
- (g) Anxin-China Holdings Ltd (stock code: 1149) from February 2017 to May 2017;
- (h) Green International Holdings Ltd (stock code: 2700) since June 2017; and
- (i) Tianli Holdings Group Limited (stock code: 117) since August 2017.

Mr. Tsoi obtained a master degree of business administration in the University of East Asia, Macau in October 1986.

Mr. Shek Lai Him Abraham (石禮謙), formerly Razack Ebrahim Abdul and Abraham Razack, 72, was appointed as our independent non-executive Director with effect from the Listing Date and will be the chairman of the nomination committee of our Board and a member of the audit committee of our Board.

Mr. Shek obtained a bachelor degree of arts and a diploma in education in the University of Sydney in May 1969 and March 1970, respectively. He became the honorary fellow of Lingnan University, the Hong Kong University of Science and Technology and the University of Hong Kong in November 2008, June 2014 and September 2016, respectively.

In addition to his achievements in the academic field, Mr. Shek has also earned certain honorary titles in various ambits. He was appointed as Justice of the Peace in July 1995 and awarded the Silver Bauhinia Star and Gold Bauhinia Star in the Hong Kong Special Administrative Region 2007 and 2013 Honors Lists, respectively. He has also been a member of the advisory committee board of the Independent Commission Against Corruption since January 2017.

Mr. Shek is currently a member of the Legislative Council for the Hong Kong Special Administrative Region, the Court of The Hong Kong University of Science & Technology, the Court and the Council of The University of Hong Kong and a non-executive director of Mandatory Provident Fund Schemes Authority of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shek currently serves as an independent non-executive director in the following listed companies and collective investment schemes, all of which are listed on the Hong Kong Stock Exchange:

- (a) Midas International Holdings Limited (stock code: 1172) since August 2001;
- (b) Paliburg Holdings Limited (stock code: 0617) since July 2002;
- (c) Lifestyle International Holdings Limited (stock code: 1212) since March 2004;
- (d) Chuang's Consortium International Limited (stock code: 0367) since May 2004;
- (e) NWS Holdings Limited (stock code: 0659) since September 2004;
- (f) Country Garden Holdings Company Limited (stock code: 2007) since March 2007;
- (g) MTR Corporation Limited (stock code: 0066) since December 2007;
- (h) SJM Holdings Limited (stock code: 0880) since January 2008;
- (i) Chuang's China Investments Limited (stock code: 0298) since April 2008;
- (j) Hop Hing Group Holdings Limited (stock code: 0047) since April 2008;
- (k) ITC Properties Group Limited (stock code: 0199) since September 2010;
- (l) China Resources Cement Holdings Limited (stock code: 1313) since January 2011;
- (m) Lai Fung Holdings Limited (stock code: 1125) since December 2012;
- (n) Cosmopolitan International Holdings Limited (stock code: 0120) since December 2013;
- (o) Goldin Financial Holdings Limited (stock code: 0530) since January 2017;
- (p) Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust (stock code: 1881) since 2006; and
- (q) Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (stock code: 2778) since 2006.

He previously served as an independent non-executive director in the following listed companies, all of which are listed on the Hong Kong Stock Exchange:

- (a) ITC Corporation Limited (stock code: 0372) from June 2006 to March 2017;
- (b) Dorsett Hospitality International Limited (previous stock code: 2266) (withdrawn from listing on the Hong Kong Stock Exchange on October 17, 2015) from September 2010 to October 2015; and
- (c) TUS International Limited (stock code: 0872) from June 2015 to January 2017.

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Mr. Shek had been a non-executive director and a member of the audit committee of The Hong Kong Mortgage Corporation Limited, a public company incorporated in Hong Kong, from December 2004 to April 2016.

Mr. Shek had served as an independent non-executive director of Titan Petrochemicals Group Limited (stock code: 1192) (“**Titan**”), a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange, from February 2006 to February 2014. On July 9, 2012 (Bermuda time), a winding up petition (the “**Petition**”) was served on Titan at the Supreme Court of Bermuda (the “**Bermuda Court**”) by its shareholder which intended to redeem the outstanding shares held by it at a redemption amount equal to the notional value of such shares (being HK\$310.8 million), together with any accrued and unpaid dividends. In July 2013, the Bermuda Court struck out the Petition upon application by Titan and allowed another claimant, KTL Camden Inc. (“**Camden**”), to be substituted as the petitioner in the Petition (the “**Substitution Petition**”). Camden claimed that a subsidiary of Titan was unable to pay the outstanding hiring charges pursuant to a bareboat charter party contract in the sum of approximately US\$6,853,032. The Bermuda Court ordered to set up an informal committee of creditors and appoint joint provisional liquidators to facilitate information exchange between Titan and its creditors. The Bermuda Court required Titan to consult the joint provisional liquidators with respect to its restructuring proposals and report to the Bermuda Court. In July 2016, the Bermuda Court ordered that the joint provisional liquidators be discharged and the Substitution Petition be discharged.

As disclosed above, as of the Latest Practicable Date, Mr. Shek served as an independent non-executive director of 15 companies listed on the Hong Kong Stock Exchange and held independent non-executive directorships on the board of the manager of two collective investment schemes listed on the Hong Kong Stock Exchange.

According to the latest available annual reports of the abovementioned listed companies and listed collective investment schemes, Mr. Shek had attended at least 95% of their committee, board and general meetings in the relevant financial years. Based on Mr. Shek’s satisfactory attendance record in the meetings of the abovementioned listed companies and listed collective investment schemes, the non-executive nature of his roles, and his extensive experience in property related businesses, our Directors are of the view, and the Joint Sponsors concur with our Directors’ view, that Mr. Shek will be able to devote sufficient time to discharge his duties as an independent non-executive Director of our Company.

Mr. Lee Jor Hung (李佐雄), 62, was appointed as our independent non-executive Director with effect from the Listing Date and will be the chairman of the remuneration committee of our Board.

Mr. Lee is currently the chairman of DL Brokerage Limited, in which he has been licensed as the dealing director and responsible officer by the Securities and Futures Commission since August 1993 and October 2003, respectively, under the Securities and Futures Ordinance to carry on type 1 (i.e. dealing in securities) and type 4 (i.e. advising on securities) regulated activities. He has also served as the director and the permanent honorary president of Hong Kong Securities Association Ltd. since August 1991 and September 1999, respectively.

Prior to joining our Group, Mr. Lee had served as a non-executive director of Hong Kong Exchanges and Clearing Limited (stock code: 0388), CIG Yangtze Ports PLC (stock code: 8233) and Stockmartnet Holdings Limited (stock code: 8123), all of which being listed on the Hong Kong Stock Exchange, from April 2000 to April 2006, September 2005 to November 2011, and May 2000 to May 2005, respectively. He had also served as a director of Hong Kong Securities and Investment Institute from December 2003 to December 2008, and become a fellow member and senior fellow since November 2012 and September 2014, respectively.

Mr. Lee had served as a member of the advisory committee and a member of the process review panel to the SFC, from June 1999 to May 2001 and from November 2006 to October 2012, respectively. In addition, he had also served as a member of Disciplinary Panel A and Investigation Panel A of the Hong Kong Institute of Certified Public Accountants, from February 2005 to January 2011 and from February 2011 to January 2015, respectively. He had also been a member of the Barrister Disciplinary Tribunal Panel from September 2005 to August 2015.

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Mr. Lee obtained a bachelor degree of commerce in the University of Alberta, Canada in May 1977 and a master degree of business administration in the University of East Asia, Macau in October 1986. He was awarded the Bronze Bauhinia Star in the Hong Kong Special Administrative Region 2000 Honors List.

Ms. Yu Pauline Wah Ling (于華玲), 69, was appointed as our independent non-executive Director with effect from the Listing Date and will be a member of the remuneration committee of our Board.

Prior to joining our Group, Ms. Yu had served as the lettings assistant and later as assistant manager of The Hongkong Land Company Limited (formerly The Hongkong Land Investment & Agency Co., Ltd.) from August 1971 to July 1981. She has also worked in Hysan Development Company Limited (stock code: 0014), a company listed on the Hong Kong Stock Exchange, since August 1981. In November 1991, she was appointed as a director of Hysan Development Company and was responsible for the strategic development of the company's property business. Ms. Yu retired as an executive director in May 2008.

Ms. Yu obtained a bachelor degree of arts in the University of Hong Kong in October 1971.

Ms. Yu served as a director of 上海錦明房業有限公司, a company established in the PRC, which developed Jinming Apartments (錦明公寓) and subsequently sold and managed the units during the period when she was its director. The entity was deregistered by board resolutions on August 15, 2007. Ms. Yu confirmed that, to the best of her knowledge, 上海錦明房業有限公司 was solvent and inactive at the time of its deregistration and had no material outstanding claims or liabilities during the period when she was its director.

Save as disclosed herein, none of our Directors held any directorship in any listed company in Hong Kong or overseas within the three years immediately preceding the date of this prospectus.

Save as disclosed herein, none of our Directors is related to the other Directors or the senior management. There is no other information relating to the relationship of any of our Directors with the other Directors and the senior management that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A to the Listing Rules.

DIRECTORS' INTERESTS

For details of our Directors' interests in companies (other than members of our Group) which are carrying on the Excluded Businesses, see "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Management independence".

SENIOR MANAGEMENT

Mr. Liu Jia (劉嘉), our chairman and one of our executive Directors, is also our chief executive officer and will be a member of the remuneration committee of our Board. For details of his qualifications, see "— Board of Directors — Executive Directors".

Mr. Lin Zimin (林資敏), one of our executive Directors, is also our general manager and will be a member of the nomination committee of our Board. For details of his qualifications, see "— Board of Directors — Executive Directors".

Mr. Lee Wai Kwong (李蔚剛), 42, serves as the assistant general manager of our Company.

Mr. Lee joined Capital Century in December 2007 and has been responsible for the financial management in Capital Century since then. He currently serves as a director in six of our subsidiaries, which are Growing China, Metallic Field, Finance Center, Square Field, First Step and Sing Kong City. He had also served as a director of our Company from November 2010 to June 2017.

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Prior to joining our Group, Mr. Lee had served as the accounting manager in Wayson Holdings International Investment Limited between July 2004 and September 2007. He had also served as an audit trainee and a semi-senior auditor in Eddie Chan & Company between November 2000 and January 2003.

Mr. Lee obtained a bachelor degree in business (major in accounting) in Edith Cowan University in Perth, Australia in 2000. Mr. Lee has been a certified public accountant in Australia since October 2013.

Mr. Lee has not held any directorship in any listed company in Hong Kong or overseas within the three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. Lee Wai Kwong (李蔚剛), one of our joint company secretaries, was appointed on June 7, 2017. He is also a member of our senior management. For details of his qualifications, see “— Senior Management”.

Ms. Ho Wing Tsz Wendy (何詠紫), aged 47, was appointed as one of our joint company secretaries on June 7, 2017.

Ms. Ho is a director of corporate services division of Tricor Services Limited. She had served as a manager of the company secretarial department of Ernst & Young, Hong Kong from July 1993 to January 2002.

Ms. Ho has over 20 years of experience in the corporate secretarial industry. She is the assistant company secretary of Coach, Inc. (stock code: 6388), the company secretary of Wynn Macau, Limited (stock code: 1128) and one of the joint company secretaries of Bank of Chongqing Co., Ltd. (stock code: 1963) and Sky Light Holdings Limited (stock code: 3882), all of which are listed on the Hong Kong Stock Exchange. She is the secretary of RREEF China REIT Management Limited, the manager of RREEF China Commercial Trust (stock code: 625), a real estate investment trust listed on the Hong Kong Stock Exchange. Ms. Ho is also a company secretary of the trustee-manager of a fixed single investment trust, Jinmao Hotel, and its operating company, Jinmao (China) Hotel Investments and Management Limited (stock code: 6139), a company listed on the Hong Kong Stock Exchange.

Ms. Ho is a chartered secretary and a fellow of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She is also a holder of the practitioner’s endorsement from The Hong Kong Institute of Chartered Secretaries.

In the three years preceding the Latest Practicable Date, Ms. Ho did not hold any directorship in any listed company in Hong Kong or overseas.

BOARD COMMITTEES

We have established the following committees in our Board of Directors and the committees are operating in accordance with the terms of reference established by our Board of Directors.

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and code provisions C.3 and D.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of two independent non-executive Directors, namely Mr. Tsoi David and Mr. Shek Lai Him Abraham, and one non-executive Director, Mr. Li Yinzhong, with Mr. Tsoi being the chairman of the committee. As required under Rules 3.10(2) and 3.21 of the Listing Rules, Mr. Tsoi holds the

DIRECTORS AND SENIOR MANAGEMENT

appropriate professional qualifications or accounting or related financial management expertise. The primary duties of the audit committee are to assist our Board in providing independent view of the effectiveness of the financial reporting process, internal control, corporate governance and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with code provision A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of two independent non-executive Directors, namely Mr. Shek Lai Him Abraham and Mr. Lee Jor Hung, and one executive Director, Mr. Lin Zimin, with Mr. Shek being the chairman of the committee. The primary functions of the nomination committee include, without limitations, reviewing the structure, size and composition of our Board, assessing the independence of the independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with Rule 3.25 of the Listing Rules and code provision B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of two independent non-executive Directors, namely Mr. Lee Jor Hung, and Ms. Yu Pauline Wah Ling, and one executive Director, Mr. Liu Jia, with Mr. Lee being the chairman of the committee. The primary functions of the remuneration committee include, without limitations, (i) making recommendations to our Board on our Company's policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining specific remuneration packages of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration with reference to the corporate goals and objectives resolved by our Board from time to time.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors, senior management and the five highest paid individuals receive compensation in the form of salaries, bonuses, social security plans, housing allowances and other benefits (including our contribution to the pension plan in their capacity as employees, according to the law of the relevant jurisdiction).

The aggregate amount of the remuneration of our Directors for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB1.37 million, RMB1.51 million, RMB1.94 million and RMB0.52 million, respectively. For details of the compensation we paid to our Directors, see Note 9 to the Accountants' Report set out in Appendix I to this prospectus.

The aggregate amount of the emoluments of the five individuals with the highest emoluments for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB1.93 million, RMB2.19 million, RMB2.64 million and RMB1.07 million, respectively. For details of the compensation we paid to the individuals with the five individuals with the highest emoluments, see Note 10 to the Accountants' Report set out in Appendix I to this prospectus.

We had not paid any remuneration to our Directors, senior management or the five highest paid individuals as an inducement for them to join us or as a compensation for loss of office in respect of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments had been paid or were payable, in respect of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, by us or any of our subsidiaries to our Directors or senior management.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently in force, we estimate that for the year ending December 31, 2017, the aggregate remuneration payable to and benefits in kind receivable by our Directors and senior management will be approximately RMB1.58 million and approximately RMB0.28 million, respectively.

EMPLOYEE INCENTIVE SCHEME

We have adopted the Post-IPO Share Option Scheme for the benefit of our employees, including our Directors and senior management personnel, subject to the terms and conditions respectively stated therein. The principal terms of the Post-IPO Share Option Scheme are summarized in “Appendix V — Statutory and General Information — D. Other Information — 1. The Post-IPO Share Option Scheme”.

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except for the code provision A.2.1, which requires the roles of chairman and chief executive to be separated and not to be performed by the same individual.

Mr. Liu Jia is the chairman of the Board and the chief executive officer of our Company and he has been primarily involved in the formulation of the business strategies and the overall direction of our Group. He has also been responsible for managing our Group’s business and supervising the overall operations. Our Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of our Company in Mr. Liu is beneficial to the management and business development of our Group and will provide a strong and consistent leadership to our Group.

Our Board currently comprises two executive Directors (including Mr. Liu), two non-executive Directors and four independent non-executive Directors and therefore has a fairly strong independence element in its composition. Our Directors will continue to review our corporate governance policies and compliance with the Corporate Governance Code each financial year and adhere to the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

COMPLIANCE ADVISOR

We have appointed Oriental Patron Asia Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The term of appointment will commence on the Listing Date and end on the date on which we distribute our financial results for the first full financial year commencing after the Listing Date pursuant to Rule 13.46 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult the compliance advisor, and the compliance advisor will advise us, on a timely basis in the following circumstances:

1. before the publications of any regulatory announcement, circular or financial report;
2. where a transaction, which might be a notifiable or connected transaction, is contemplated including Share issues and Share repurchases;
3. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
4. where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive of our Company, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of any options that may be granted under the Post-IPO Share Option Scheme), the following persons will have an interest and/or short position in Shares or underlying Shares that would fall to be disclosed to our Company and the Hong Kong 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 our Company:

Name	Capacity	Interests in number of Shares	Approximate percentage of issued Share capital
Lucky Link ⁽¹⁾	Beneficial owner	297,900,000	67.49%
Top Charm ⁽¹⁾	Beneficial owner	33,100,000	7.50%
Capital Century ⁽¹⁾	Interests in controlled corporation	331,000,000	74.99%
CE Hong Kong ⁽²⁾	Interests in controlled corporation	331,000,000	74.99%
China Everbright Group ⁽³⁾	Interests in controlled corporation	331,000,000	74.99%
Huijin ⁽⁴⁾	Interests in controlled corporation	331,000,000	74.99%

Notes:

- (1) Lucky Link and Top Charm will directly hold approximately 67.49% and 7.50% of the total issued Shares, respectively. Capital Century holds 100% shares in Lucky Link and Top Charm and is therefore deemed to be interested in 297,900,000 and 33,100,000 Shares held by Lucky Link and Top Charm, respectively.
- (2) CE Hong Kong is an indirect controlling shareholder of Lucky Link and Top Charm. CE Hong Kong directly holds 99.997% shares in Capital Century, 0.3% of which is held on trust for the National Administrative Bureau of State Owned Property, and indirectly holds 0.003% shares in Capital Century through China Everbright Holdings (Nominee) Limited. Therefore, CE Hong Kong is deemed to be interested in 297,900,000 and 33,100,000 Shares held by Lucky Link and Top Charm, respectively.
- (3) China Everbright Group holds 100% shares in CE Hong Kong and is therefore deemed to be interested in 297,900,000 and 33,100,000 Shares held by Lucky Link and Top Charm, respectively.
- (4) Huijin is indirectly wholly-owned by the State Council and holds 55.67% equity interest in China Everbright Group. It is deemed to be interested in 297,900,000 and 33,100,000 Shares held by Lucky Link and Top Charm, respectively.

If the Over-allotment Option is exercised in full, Lucky Link, Top Charm, Capital Century, CE Hong Kong, China Everbright Group and Huijin will be interested in approximately 65.05%, 7.23%, 72.28%, 72.28%, 72.28% and 72.28% of the total issued share capital of our Company, respectively.

Save as disclosed above, none of our Directors and chief executive of our Company is aware of any other person who will, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of any options that may be granted under the Post-IPO Share Option Scheme) have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong 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 our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized and issued share capital in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering.

1. Prior to the Share Subdivision and the Global Offering

	Nominal value of the shares (US\$)
Authorized share capital	
40,000,000 ordinary shares of US\$1.00 each	40,000,000

	Nominal value of the shares (US\$)
Shares issued, fully paid or credited as fully paid	
33,100,000 ordinary shares of US\$1.00 each	33,100,000

2. Immediately following completion of the Share Subdivision and the Global Offering

	Nominal value of the Shares (US\$)
Authorized share capital	
4,000,000,000 Shares	400,000,000

	Nominal value of the Shares (US\$)	Approximate percentage of the issued share capital (%)
Shares issued and to be issued, fully paid or credited as fully paid upon the completion of the Share Subdivision and the Global Offering		
331,000,000 Shares in issue immediately following completion of Share Subdivision	33,100,000	74.99
110,400,000 Shares to be issued under the Global Offering	11,040,000	25.01
441,400,000 Total	<u>44,140,000</u>	<u>100</u>

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. It assumes that the Over-allotment Option is not exercised and takes no account of any Shares which may be allotted and issued, or repurchased by our Company pursuant to the general mandates given to our Directors to allot, issue or repurchase new Shares as described below.

POST-IPO SHARE OPTION SCHEME

We conditionally adopted the Post-IPO Share Option Scheme on December 15, 2017. The principal terms of the Post-IPO Share Option Scheme are set out in “Appendix V — Statutory and General Information — D. Other Information — 1. The Post-IPO Share Option Scheme”.

RANKING

Our Shares are ordinary shares in the share capital of our Company and rank *pari passu* with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus.

SHARE CAPITAL

CERTAIN CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of our Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital; (ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (iii) divide its unissued shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares at the date of the resolution which have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares canceled. In addition, our Company may be subject to the provisions of the Companies Law to reduce its share capital by way of a special resolution passed by its shareholders. See “Appendix IV — Summary of the Constitution of our Company and Cayman Islands Companies Law — 2. Articles of Association — 2.5 Alteration of capital” for details.

Pursuant to the Companies Law and the terms of our Memorandum of Association and Articles of Association, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) may be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. See “Appendix IV — Summary of the Constitution of our Company and Cayman Islands Companies Law — 2. Articles of Association — 2.4 Variation of rights of existing shares or classes of shares” for details.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares and to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or any scrip dividend scheme or other similar arrangements, any rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders) during or after continuance of such mandate, provided that the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted by our Directors shall not exceed:

- (a) 20% of total number of the Shares in issue immediately upon completion of the Global Offering (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Post-IPO Share Option Scheme); and
- (b) the total number of the issued Shares repurchased by us (if any) under the general mandate to repurchase Shares referred to in the sub-section headed “— General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which our Company’s next annual general meeting is required by any applicable law or our Articles of Association to be held; or
- (c) the revocation, variation or renewal by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, see “Appendix V — Statutory and General Information — A. Further Information about Our Group — 4. Resolution in Writing of our Shareholders Passed on December 15, 2017”.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of the Shares not exceeding 10% of the total number of Shares in issue or to be issued immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the options that may be granted under the Post-IPO Share Option Scheme).

This mandate only relates to repurchases made on the Hong Kong Stock Exchange or any other stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix V — Statutory and General Information — B. Repurchases of Our Shares”.

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which our Company’s next annual general meeting is required by any applicable law or our Articles of Association to be held; or
- (c) the revocation, variation or renewal by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, see “Appendix V — Statutory and General Information — A. Further Information about Our Group — 4. Resolution in Writing of our Shareholders Passed on December 15, 2017.”

UNDERTAKINGS BY OUR COMPANY

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Hong Kong Stock Exchange that our Company will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the date on which our Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except in the circumstances as permitted under Rule 10.08 of the Listing Rules.

UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of our controlling shareholders has undertaken with our Company and the Hong Kong Stock Exchange that they shall not and shall procure that the relevant holder(s) shall not, without prior written consent of the Hong Kong Stock Exchange, except pursuant to the Global Offering and the Over-allotment Option:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any option, rights, interests or encumbrances in respect of, any of our Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of the six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any option, rights, interests or encumbrances in respect of, any of our Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights,

SHARE CAPITAL

interests or encumbrances, our controlling shareholders would cease to be the controlling shareholder of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

Furthermore, each of our controlling shareholders have undertaken with our Company and the Hong Kong Stock Exchange that within a period commencing on the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is the first anniversary of the Global Offering, it shall:

- (a) when it pledges or charges any securities of our Company beneficially owned by it in favor of an authorized institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform our Company of such indications.

FINANCIAL INFORMATION

You should read the following discussion in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 together with the accompanying notes set forth in the Accountants' Report included as Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-Looking Statements" and "Risk Factors".

OVERVIEW

We own, lease and manage properties located in Chengdu, Sichuan province, and also own and lease a property located in Kunming, Yunnan province. As of the Latest Practicable Date, our property portfolio comprised three commercial properties, namely Everbright Financial Center, part of Everbright International Mansion and Ming Chang Building, with a total GFA of approximately 89,506.5 sq.m. and residential properties, namely part of Dufu Garden, with a total GFA of approximately 2,121.4 sq.m. Except for Ming Chang Building, we developed these properties during the late 1990s and early 2000s and selectively retained ownership of these properties which we believe to have strategic value to generate stable and recurring leasing revenue. As of the Latest Practicable Date, we held the properties with a total GFA of approximately 89,770.5 sq.m. for investment purposes, a total GFA of approximately 977.8 sq.m. for use of our own offices and a total GFA of approximately 879.6 sq.m. for sale. According to the Property Valuer, the market value of our properties held for investment were RMB866.8 million as of October 31, 2017. For the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the average occupancy rate for our properties held for investment were approximately 80.9%, 82.0%, 77.7% and 77.1%, respectively. As of the Latest Practicable Date, we had leased to our tenants a total GFA of approximately 72,038.6 sq.m., representing 80.2% of the total GFA of our properties held for investment.

In order to maximize the value of our properties and keep our properties in a good condition, we have a property management team to manage Everbright Financial Center and Everbright International Mansion, for which we charge property management fees to our tenants and the other owner of Everbright International Mansion for general property management services, value-added property management services and parking management services.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we generated revenue of approximately RMB57.1 million, RMB59.4 million, RMB55.9 million, RMB27.5 million and RMB32.7 million, respectively. Our profit for the same periods was approximately RMB39.7 million, RMB34.3 million, RMB31.5 million, RMB18.4 million and RMB9.2 million, respectively.

FINANCIAL INFORMATION

The table below sets forth the breakdown of our revenue generated from our three business activities during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Property leasing	39,661	69.4	40,849	68.8	36,935	66.1	18,218	66.2	18,604	56.9
Provision of property management services	17,458	30.6	18,537	31.2	19,001	33.9	9,290	33.8	10,247	31.3
Sales of properties held for sale	—	—	—	—	—	—	—	—	3,850	11.8
Total	57,119	100.0	59,386	100.0	55,936	100.0	27,508	100.0	32,701	100.0

The table below sets out the adjusted net profit⁽¹⁾ (excluding the valuation gains on investment properties and the corresponding deferred tax effect, while adding back non-recurring items i.e. the business tax and surcharges paid for the disposal of investment properties and the listing expenses) in each of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017:

	For the year ended December 31,			For the six months ended June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Net Profit for the year/period	39,671	34,305	31,514	9,166
Less: valuation gains on investment properties	(35,898)	(18,801)	(22,673)	(6,718)
Add:				
Deferred tax expenses in relation to revaluation of investment properties	8,263	4,701	5,668	1,679
Business tax and surcharges for disposal of investment properties	6,087	—	—	—
Listing expenses	—	—	3,040	7,208
Adjusted net profit for the year/period⁽¹⁾	18,123	20,205	17,549	11,335

Note:

- (1) The adjusted net profit is not a measure under HKFRSs. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant periods. See “Financial Information — Non-HKFRSs Measures”.

Non-HKFRSs Measures

The term “adjusted net profit” is not defined under HKFRSs. The use of adjusted net profit has material limitation as an analytical tool, as it does not include all items that have an impact on our net profit for the relevant periods. In light of the foregoing limitations for adjusted net profit, when assessing our operating and financial performance, you should not view adjusted net profit in isolation or as a substitute for our profit for the relevant periods or any other operating performance measure that is calculated in accordance with HKFRSs. In addition, because this non-HKFRSs measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

BASIS OF PREPARATION

Our Company was incorporated in the BVI on August 2, 2000 and transferred by way of continuation into the Cayman Islands as an exempted company with limited liability on September 15, 2016 under the Companies

FINANCIAL INFORMATION

Law. As such, its operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

Our Company is an investment holding company and has not carried on any business since the date of its incorporation. Our Group provides property leasing and property management services in the PRC.

As of the date of this prospectus, no audited financial statements had been prepared for our Company, Metallic Field, Growing China, Square Field and Eastmate as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of our Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

For more information on the basis of preparation of our financial information included herein, see Accountants' Report set out in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our businesses, financial positions, results of operations and cashflows have been, or may be expected to be in the future, significantly affected by a number of factors, many of which may be beyond our control. A discussion of certain key factors is set out below:

General Economic Conditions and Policy Changes in the PRC Property Industry

General economic conditions, principally those in the PRC, have affected and may continue to affect our business, results of operations, financial position and cashflows. Economic conditions in the PRC directly affect the demand for commercial properties in the PRC and therefore our leasing revenue from our commercial property portfolio. Moreover, the PRC property markets have historically been cyclical. Typically, during periods of economic growth we experience positive rental reversions, that is, we are able to achieve higher rental rates upon lease renewal, rental review or entry into new leases compared to the prior rental rate for a particular property. Conversely, during periods of sustained economic contraction or significant market disruptions, rental reversions can be negative.

We expect the demand for our commercial properties, our operating results, financial position and cashflows will continue to be affected by the general economic conditions and growth in the PRC. At the same time, during the term of the leases, rental rates on individual premises are normally locked in for the whole term at a level which may diverge from the prevailing market rate for similar premises during the period until the lease expires or the next rental review.

The PRC government had implemented a series of regulations and policies to ensure healthy growth of the property market and to slow down the increase in property prices, as well as to dampen property speculation. If the economic conditions in the PRC begin to recover to a certain extent or the policy changes lead to a more favorable environment in the PRC property industry, we expect the demand for our commercial properties to increase, and our operating results and financial position to improve. In addition, our properties are located in Chengdu, Sichuan province and Kunming, Yunnan province, both of which are key cities in western China. As key cities in western China, we believe Chengdu and Kunming, where our properties are located, have benefitted and expect to continue to benefit from economic growth driven by Go West Policy and implementation of the PRC's 13th Five-Year Plan.

FINANCIAL INFORMATION

Rental and Occupancy Rates

Our property leasing revenue depends principally on the rental rates our properties are able to command and the occupancy rates they are able to maintain. Factors affecting the rental rates and occupancy rates include the competitiveness of competing properties, tenant retention rates on expiration of the leases, market conditions and general macroeconomic and supply/demand trends affecting the commercial property market in Chengdu, Sichuan province and Kunming, Yunnan province. In addition to general macroeconomic and supply/demand trends affecting the commercial property market in Chengdu, Sichuan province and Kunming, Yunnan province, occupancy rates depend on rental rates relative to other competing properties and the ability to minimize downtime arising from lease expirations or early terminations.

Expiration and Renewal of Existing Leases

We adopt a flexible policy when negotiating the term of leases with our tenants. The factors we consider normally include the (i) total leasing area; (ii) quality of the tenant; (iii) level of the rent; and (iv) usage of the properties. For commercial properties, the term of the lease is normally less than five year for properties used by our tenants as offices and more than 10 years for properties used as retail and other commercial purposes. For residential properties, we tend to enter into long term leases (normally more than 10 years) with our tenants.

The lease can be terminated by mutual agreement between parties. Generally a one to three-month notice shall be given by the tenant for termination of the lease for office spaces before expiration with certain amount of penalties imposed. Our leases for retail and commercial spaces generally do not contain a clause for early termination upon notice by the tenants.

Tenants generally have an option to renew their leases for an additional term by providing written notice during a certain period of time (normally one to three months for office spaces and three months for retail and commercial spaces) before the lease expires if they wish to renew the lease. Tenants are generally deemed to have given up their option to renew if they fail to provide such notice within the prescribed period. Rent for the additional term is determined through negotiation between the tenant and us.

As of June 30, 2017, leases comprising a total GFA of approximately 7,134.0 sq.m., 8,941.0 sq. m., 15,792.3 sq.m. and 31,030.4 sq.m. were scheduled to expire in the second half of 2017 and the years ending 2018 and 2019 and afterwards, respectively, representing approximately 10.2%, 12.7%, 22.5% and 44.1% of the total leased GFA of the investment properties as of June 30, 2017, respectively. The leases for the properties with a total GFA of approximately 7,341.7 sq.m. were expired as of June 30, 2017. As of the Latest Practicable Date, we had entered into renewed leases with these tenants except one tenant which was undergoing the internal procedures to renew the lease.

For additional information on leases which are scheduled to expire in the following few years, see “Business — Expiration and Renewals of Lease Agreement”.

Changes in Fair Value of Investment Property as a Result of Economic and Market Conditions

The fair value of our investment properties represents open market value, which is affected to a large extent by property market conditions. The fair value of our investment properties is valued by the Property Valuer based on methods and assumptions that were periodically adjusted by the Property Valuer to reflect market conditions. The PRC property market is volatile and has in the past experienced and may in the future experience oversupply and property price fluctuations. The central and local governments adjust monetary and other economic policies from time to time to prevent and curtail the overheating of the PRC and local economies, and such economic adjustments may affect the property market in Chengdu and Kunming and other parts of the PRC. For additional information on the policies adopted by the PRC government, see “Risk Factors — Risks Relating to Our Business and Industry — The real estate industry may be adversely affected by laws and regulations” and “Regulatory Overview”.

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The valuation of our investment properties in the past has had an impact on our results of operations of the properties and our financial position, and may in the future result in significant fluctuations in our results of operations and financial position. During the Track Record Period, our valuation gains on investment properties were approximately RMB35.9 million, RMB18.8 million, RMB22.7 million, RMB14.0 million and RMB6.7 million for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, respectively. For additional information on the increase in fair value of investment property, see Note 13 to the Accountants' Report set out in Appendix I to this prospectus and "Risk Factors — Risks Relating to Our Business and Industry — Our financial results during the Track Record Period included changes in fair value of our properties and our results may fluctuate due to such changes in the fair value of our properties" for details.

Access and Cost of Funding

During the Track Record Period, bank loans and amounts due to Capital Century have been significant sources of funding for our business. Our aggregate finance costs on bank loans and amounts due to Capital Century for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 amounted to approximately RMB9.1 million, RMB7.1 million, RMB3.1 million, RMB1.7 million and RMB1.2 million, respectively.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our outstanding bank loans amounted to approximately RMB76.9 million, RMB62.6 million, RMB47.8 million and RMB40.2 million, respectively. The interest rate on our bank loans as of December 31, 2014, 2015 and 2016 and June 30, 2017 varied from approximately 6.77% to 7.21%, 5.39% to 6.88%, 5.15% to 5.67% and 5.15% to 5.39%, respectively. Our aggregate interest expenses on our bank loans during the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 amounted to approximately RMB6.0 million, RMB4.5 million, RMB3.1 million, RMB1.7 million and RMB1.2 million, respectively. As banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase our financing cost. In addition, our access to capital and cost of funding are affected by restrictions imposed from time to time by the PRC government on bank lending for property developments.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our amounts due to Capital Century amounted to approximately RMB92.2 million, RMB92.6 million, nil and nil, respectively. Our aggregate interest expenses on the amounts due to Capital Century during the years ended December 31, 2014 and 2015 amounted to approximately RMB3.1 million and RMB2.6 million, respectively. We did not record any interest expenses on the amounts due to Capital Century for the year ended December 31, 2016 and the six months ended June 30, 2016 and 2017. Amounts due to Capital Century are unsecured and repayable on demand. As of December 31, 2014 and 2015, approximately RMB49.0 million and approximately RMB49.0 million, respectively, of the amounts due to Capital Century were interest bearing and interests were charged at the benchmark lending rate of PBOC, and the remaining part of such amounts were interest free. In 2016, we settled all the amounts due to Capital Century. As a result, no interest expenses were recorded in 2016 in relation to such amounts. Regarding the interest-bearing loans provided by Capital Century for our Group during the Track Record Period, the transactions were based on prevailing market price or rate in the ordinary and usual course of business and were conducted according to applicable and normal market usual practice and on normal commercial terms. For further details about our financial independence from the controlling shareholders, see "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence".

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our historical financial information has been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. See Note 2 to the Accountants' Report set out in Appendix I to this prospectus for details of the significant accounting policies relating to our financial information and see Note 3 to the Accountants' Report set out in Appendix I to this prospectus for details of the significant accounting judgments and estimates.

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RESULTS OF OPERATIONS

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	57,119	59,386	55,936	27,508	32,701
Cost of sales	(12,607)	(13,277)	(13,909)	(7,525)	(8,553)
Gross profit	44,512	46,109	42,027	19,983	24,148
Valuation gains on investment properties	35,898	18,801	22,673	13,989	6,718
Other net income	1,275	1,184	289	606	9
Distribution costs	(571)	(639)	(523)	(419)	(384)
Administrative expenses	(11,080)	(10,542)	(15,305)	(6,242)	(14,487)
Other operating expenses	(6,154)	(11)	(80)	(72)	(13)
Profit from operations	63,880	54,902	49,081	27,845	15,991
Finance costs	(9,127)	(7,103)	(3,123)	(1,699)	(1,186)
Profit before taxation	54,753	47,799	45,958	26,146	14,805
Income tax	(15,082)	(13,494)	(14,444)	(7,781)	(5,639)
Profit for the year/period	<u>39,671</u>	<u>34,305</u>	<u>31,514</u>	<u>18,365</u>	<u>9,166</u>

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DESCRIPTION OF SELECTED STATEMENTS OF PROFIT OR LOSS LINE ITEMS

Revenue

During the Track Record Period, we generated revenue from (i) property leasing; (ii) provision of property management services; and (iii) sales of properties held for sale. Revenue from property leasing represents primarily the amounts of rent recognized from tenants under their leases. Revenue from provision of property management services primarily represents property management fees paid by occupants of Everbright Financial Center and Everbright International Mansion for property management services we provide under the property management service agreements. The other owner of Everbright International Mansion who owns the rest of the property also engages us for provision of property management services. Revenue from sales of properties held for sale represents the proceeds from the sale of two units of townhouse in Dufu Garden in January and June 2017, respectively. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our revenue amounted to approximately RMB57.1 million, RMB59.4 million, RMB55.9 million, RMB27.5 million and RMB32.7 million, respectively. The table below sets forth a breakdown of revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Property leasing										
Everbright Financial Center	23,550	41.2	23,912	40.3	20,342	36.4	9,800	35.6	10,003	30.6
Ming Chang Building	8,544	15.0	9,223	15.5	8,879	15.9	4,571	16.6	4,310	13.2
Everbright International Mansion	7,207	12.6	7,342	12.4	7,342	13.1	3,661	13.3	3,960	12.1
Dufu Garden	360	0.6	372	0.6	372	0.7	186	0.7	331	1.0
Sub-total	<u>39,661</u>	<u>69.4</u>	<u>40,849</u>	<u>68.8</u>	<u>36,935</u>	<u>66.1</u>	<u>18,218</u>	<u>66.2</u>	<u>18,604</u>	<u>56.9</u>
Provision of property management services										
Everbright International Mansion	9,139	16.0	9,813	16.5	9,912	17.8	4,964	18.1	4,786	14.6
Everbright Financial Center	8,319	14.6	8,724	14.7	9,089	16.1	4,326	15.7	5,461	16.7
Sub-total	<u>17,458</u>	<u>30.6</u>	<u>18,537</u>	<u>31.2</u>	<u>19,001</u>	<u>33.9</u>	<u>9,290</u>	<u>33.8</u>	<u>10,247</u>	<u>31.3</u>
Sales of properties held for sale	—	—	—	—	—	—	—	—	3,850	11.8
Total	<u>57,119</u>	<u>100.0</u>	<u>59,386</u>	<u>100.0</u>	<u>55,936</u>	<u>100.0</u>	<u>27,508</u>	<u>100.0</u>	<u>32,701</u>	<u>100.0</u>

We had two, three, three, three and two customers, from which revenue derived had exceeded 10% of our revenue during the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, respectively. Revenue derived from these customers amounted to approximately RMB15.6 million, RMB21.8 million, RMB22.5 million, RMB11.1 million and RMB9.5 million, respectively, for the same periods.

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For further details about our concentrations of credit risk arising from these customers, see “Business — Customers — Tenant Profile” and “Risk Factors — Risks Relating to Our Business and Industry — The loss of key customers or any breach of their obligations under the lease agreements and property management agreements may have an adverse effect on our financial condition and results of operations”.

Cost of Sales

Our cost of sales mainly comprises of property management cost, property taxes and others and our cost of sales of properties held for sale. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our cost of sales amounted to approximately RMB12.6 million, RMB13.3 million, RMB13.9 million, RMB7.5 million and RMB8.6 million, respectively. The table below sets forth a breakdown of our cost of sales for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Property management cost										
Staff costs	4,842	38.4	5,619	42.3	6,148	44.2	2,831	37.6	3,750	43.8
Maintenance cost	850	6.7	814	6.1	901	6.4	557	7.4	649	7.6
Utility charges ..	481	3.8	413	3.1	287	2.1	166	2.2	106	1.2
Cleaning services fees	86	0.7	68	0.5	65	0.5	31	0.4	33	0.4
Others	563	4.5	551	4.2	421	3.0	163	2.2	210	2.5
Subtotal	<u>6,822</u>	<u>54.1</u>	<u>7,465</u>	<u>56.2</u>	<u>7,822</u>	<u>56.2</u>	<u>3,748</u>	<u>49.8</u>	<u>4,748</u>	<u>55.5</u>
Property tax and others	5,785	45.9	5,812	43.8	6,087	43.8	3,777	50.2	2,633	30.8
Sales of properties held for sale	—	—	—	—	—	—	—	—	1,172	13.7
Total	<u>12,607</u>	<u>100.0</u>	<u>13,277</u>	<u>100.0</u>	<u>13,909</u>	<u>100.0</u>	<u>7,525</u>	<u>100.0</u>	<u>8,553</u>	<u>100.0</u>

Gross Profit and Gross Profit Margin

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our gross profit amounted to approximately RMB44.5 million, RMB46.1 million, RMB42.0 million, RMB20.0 million and RMB24.1 million, respectively. Gross profit margin is calculated by dividing gross profit by the revenue during each reporting period. Our gross profit margin was approximately 77.9%, 77.6%, 75.1%, 72.6% and 73.8%, respectively, for the same periods.

Valuation Gains on Investment Properties

Our investment properties were valued as of December 31, 2014, 2015 and 2016 and June 30, 2017 by the Property Valuer. The valuations were performed in accordance with the valuation standards on properties issued

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by the Hong Kong Institute of Surveyors or Royal Institution of Chartered Surveyors or International Valuation Standards Council (where applicable). The fair value of our investment properties as at December 31, 2014, 2015 and 2016 and June 30, 2017 were approximately RMB815.3 million, RMB834.2 million, RMB857.1 million and RMB864.3 million, respectively. JLL, a second property valuer engaged by us, has also confirmed that the valuation prepared by the Property Valuer in respect of the property interests of our Group during the Track Record Period is within the reasonable range of JLL's valuation, and it has no adverse opinion on the fair value of our Group's investment properties as at December 31, 2014, 2015, 2016 and June 30, 2017.

The table below sets forth a breakdown of the fair value of our investment properties as at the dates indicated:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Everbright Financial Center	322,856	328,051	334,552	339,200
Ming Chang Building	173,344	177,482	181,969	182,100
Everbright International Mansion	300,859	309,502	320,399	322,500
Dufu Garden	18,231	19,176	20,193	20,500
Total	<u>815,290</u>	<u>834,211</u>	<u>857,113</u>	<u>864,300</u>

The changes in the fair value of our investment properties resulted in gains recorded from the increase in fair value of investment properties of approximately RMB35.9 million, RMB18.8 million, RMB22.7 million, RMB14.0 million and RMB6.7 million, respectively, for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017. The table below sets forth a breakdown of the valuation gains on our investment properties for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Everbright Financial Center	11,807	5,195	6,501	4,949	4,648
Ming Chang Building	6,269	4,138	4,258	1,518	131
Everbright International Mansion	16,385	8,523	10,897	6,998	1,632
Dufu Garden	1,437	945	1,017	524	307
Total	<u>35,898</u>	<u>18,801</u>	<u>22,673</u>	<u>13,989</u>	<u>6,718</u>

Valuation Methods

The Property Valuer has adopted two valuation methodologies, namely the direct comparison approach and income approach (term and reversion), in valuing the investment properties. The valuation methodologies adopted depend on the occupancy status of each property as at the valuation dates. The different valuation methodologies adopted are in line with market practice as they are commonly used in valuing similar properties.

The valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sales of the property interests. The property valuer have assumed that the owner of the property interests is in the possession of a proper legal title of the property, has the right to transfer, mortgage, let and dispose of the property and is entitled to transfer the residual term of its land use right in accordance with the relevant PRC laws and regulations at no extra premium or other onerous payment payable to the government.

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The valuation method adopted for each of our properties as at December 31, 2014, 2015, 2016 and June 30, 2017 is set out as follows:-

Properties	Valuation method adopted			
	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at June 30, 2017
Everbright Financial Center	Direct comparison approach and income approach (term and reversion method)	Direct comparison approach and income approach (term and reversion method)	Direct comparison approach and income approach (term and reversion method)	Direct comparison approach and income approach (term and reversion method)
Ming Chang Building	Direct comparison approach and income approach (term and reversion method)	Direct comparison approach and income approach (term and reversion method)	Direct comparison approach and income approach (term and reversion method)	Direct comparison approach and income approach (term and reversion method)
Everbright International Mansion	Direct comparison approach and income approach (term and reversion method)	Direct comparison approach and income approach (term and reversion method)	Direct comparison approach and income approach (term and reversion method)	Direct comparison approach and income approach (term and reversion method)
Dufu Garden	Income approach (term and reversion method)	Income approach (term and reversion method)	Income approach (term and reversion method)	Income approach (term and reversion method)

(a) Income approach

Under the relevant valuation standards, the Property Valuer considers to adopt term and reversion method as appropriate for the portion of the subject properties with existing tenancies as at the valuation dates.

Under the term and reversion method, the capital value of a property is determined based on the value of its remaining tenancy (term value) and its value upon expiration of the tenancy (reversionary value).

Term Value

Term value is the value of the remaining tenancy based on its current passing rent and the remaining valid lease term. It involves the capitalization of the current rental income over the existing lease term. A term yield by reference to market yield calculated by dividing annual unit market rental income over unit market value of the comparable properties, is used to capitalize the current passing rental income. The choice of the term yield depends on the difference in the amount of the rent passing relative to the estimated market rent for the valuation years. If the amount of rent passing is below the reversionary market rent, the landlord enjoys relatively higher degree of income security for the term, and the term yield adopted would be lower than the reversionary yield. Vice-versa applies if the term rent is above the reversionary market rent.

Reversionary Value

Reversionary value is the value upon expiration of the tenancy, and is determined based on the prevailing market rate of sale price. To bring the reversionary value back to the current date, the Property Valuer has used a present value rate (i.e. reversionary yield) which is equivalent to the market yield calculated by dividing annual unit market rental income over unit market value of the comparable properties.

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The term yield and reversionary yield adopted during the Track Record Period were as follows:-

As at December 31, 2014

Properties	Term Yield (%)	Reversionary Yield (%)
Everbright Financial Center	6.5%	6.5%
Ming Chang Building	6%	6.5%
Everbright International Mansion	5.5%	6.5%
Dufu Garden	4.25%	5%

As at December 31, 2015

Properties	Term Yield (%)	Reversionary Yield (%)
Everbright Financial Center	6.5%	6.5%
Ming Chang Building	6.25%	6.5%
Everbright International Mansion	5.75%	6.5%
Dufu Garden	4%	5%

As at December 31, 2016

Properties	Term Yield (%)	Reversionary Yield (%)
Everbright Financial Center	6.5%	6.5%
Ming Chang Building	6.25%	6.5%
Everbright International Mansion	5.75%	6.5%
Dufu Garden	4%	5%

As at June 30, 2017

Properties	Term Yield (%)	Reversionary Yield (%)
Everbright Financial Center	6.5%	6.5%
Ming Chang Building	6.25%	6.5%
Everbright International Mansion	5.75%	6.5%
Dufu Garden	3.75%	5%

The term yields adopted for Ming Chang Building, Everbright International Mansion and Dufu Garden are lower than the reversionary yields since the rent passing for these buildings are lower than the estimated market rent.

The Property Valuer relied on the direct comparison approach to estimate the market unit rate of a reference floor based on the sale prices of comparable properties for the assessment of the reversionary value. The market unit rate so derived should truly reflect the magnitude of sale prices expected by the owners of the subject properties as at the dates of valuation.

The following major steps have been taken by the Property Valuer to formulate the market unit rate for valuation:

- (i) in assessing the market unit rate, the Property Valuer have had regard to asking sale prices of comparable premises available on the market at the respective valuation dates;

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- (ii) the comparable premises are of the same character as that of Grade B offices with similar qualities to the subject properties. The comparable premises are located within approximately 2.1 km radius from Everbright Financial Center / Everbright International Mansion and approximately 2.8 km radius from Ming Chang Building. As for Dufu Garden, the comparable premises are from Dufu Garden;
- (iii) site inspections were carried out by the Property Valuer to familiarize with the location and conditions of the comparable premises;
- (iv) for Everbright Financial Center, Ming Chang Building and Everbright International Mansion, the relevant comparables assembled as at the respective valuation dates are mostly office units. In order to compare like with like, the Property Valuer has identified an office floor as a reference floor for each of the respective properties.

The reference floor is the lowest floor with office use within the respective properties as follows:-

<u>Properties</u>	<u>Selected Reference Floor</u>
Everbright Financial Center.....	5/F
Ming Chang Building.....	3/F
Everbright International Mansion	4/F

- (v) the Property Valuer has taken into consideration the following adjustment factors to adjust the sales prices of the comparable premises in arriving at the market unit rate of the subject properties:-

<u>Adjustment Factors</u>	<u>Rationale</u>
Location	It accounts for differences in respect of attractions to users, ease and accessibility to public transports, inherited development history and environment of the neighborhood. The Property Valuer has assembled comparable premises which have similar neighborhood of the subject properties in order to minimize the magnitude to location adjustment.
Floor Level	For office units, those located on higher floor levels fetch higher rates for better views and natural lighting. Since reference floors are located on low floor zone, i.e. below 5/F, appropriate downward adjustments have been applied to comparable premises which are located on the middle and high floor level of their respective building.
Building Quality and Maintenance Conditions	Better building qualities usually attract better quality users who are more affordable to pay higher rent and price rates. Buildings that are under good management and well-maintained also appeal more to higher grade users. Upon site inspections, the Property Valuer observed that the comparable premises are of different building qualities and maintenance conditions. Upward adjustments have been applied to comparables with inferior conditions, facilities and maintenance and vice versa.

Summary of market unit rates

The following tables summarize the market unit rates adopted and range of unit rates of comparable premises. The Property Valuer noted that the general decreasing trend of office prices

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applied to the overall market. On a micro basis, the office prices in the city center remained relatively stable and did not exhibit any discernible decrease in the asking prices of comparable premises.

As at December 31, 2014

Properties	Market Unit Rate (RMB/sq.m.)	Range of unit rate of comparable premises (RMB/sq.m.)
Everbright Financial Center	8,650	7,500 to 9,773
Ming Chang Building	8,000	7,107 to 10,562
Everbright International Mansion	8,280	7,500 to 9,773
Dufu Garden ⁽¹⁾	19,000	21,371 to 21,459

As at December 31, 2015

Properties	Market Unit Rate (RMB/sq.m.)	Range of unit rate of comparable premises (RMB/sq.m.)
Everbright Financial Center	8,850	7,859 to 10,833
Ming Chang Building	8,200	7,997 to 10,714
Everbright International Mansion	8,460	7,859 to 10,833
Dufu Garden ⁽¹⁾	19,500	21,318 to 22,817

As at December 31, 2016

Properties	Market Unit Rate (RMB/sq.m.)	Range of unit rate of comparable premises (RMB/sq.m.)
Everbright Financial Center	9,100	7,483 to 11,000
Ming Chang Building	8,500	7,997 to 11,583
Everbright International Mansion	8,650	7,483 to 11,000
Dufu Garden ⁽¹⁾	20,000	23,762 to 27,869

As at June 30, 2017

Properties	Market Unit Rate (RMB/sq.m.)	Range of unit rate of comparable premises (RMB/sq.m.)
Everbright Financial Center	9,100	7,483 to 11,000
Ming Chang Building	8,500	7,997 to 11,583
Everbright International Mansion	8,650	7,483 to 11,000
Dufu Garden ⁽¹⁾	20,000	23,762 to 27,869

Note:

(1) The market unit rates for Dufu Garden were below the range of unit rate of comparable premises. The Property Valuer noticed after site inspection that the decoration conditions of the comparable premises are superior to the subject property. Therefore, downward adjustments were applied to the unit rates of comparable premises.

- (vi) having determined the market unit rate, appropriate floor level adjustments were applied to assess the unit rate for the remaining office floors of the respective properties on the basis that higher floors fetch higher unit rates;

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- (vii) Everbright Financial Center, Everbright International Mansion and Ming Chang Buildings include retail / commercial floors as follows:

<u>Properties</u>	<u>Floors / Portions</u>	<u>Retail Tenants during the Track Record Period</u>	<u>Magnitude of Adjustment</u>
Everbright Financial Center	Level 1 to Level 4	China Bohai Bank	+60%
Everbright International Mansion	Level 1 (portion) to Level 3	Ren Ren Le	+30%
Ming Chang Building	Level 1 (portion), Level 2 (portion), Level 3 (portion) and Level 4	China Everbright Bank	+30%
	Level 1 (portion) and Level 2 (portion)	An electronic product and appliances retailer	+60%

- (viii) Since the market unit rate reflected only the unit prices for office units, appropriate upward adjustment should be applied to the market unit rates to account for the retail potential for the retail / commercial floor. From the statistics analysis of rental of the properties, the Property Valuer estimated that the premium for the retail / commercial floors over the office use ranged between 30% to 60% depending on the magnitude of the floor space involved. The existence of such commercial space served to attract anchors tenants such as China Bohai Bank, Ren Ren Le and China Everbright Bank etc. who are able to take up relatively large amount of space, thus allowing higher degree of stability in term of occupancy;

- (ix) on the other hand, the Property Valuer noticed that the value of basements for Everbright Financial Center and Everbright International Mansion should be lower than the market unit rate of office due to inferior accessibility, condition and commercial value than office units. Therefore, 50% downward adjustments have been applied to the market unit rate of office to assess the value for the basements.

(b) Direct comparison approach

Direct comparison approach is adopted for the portion of the subject properties which were vacant as at the valuation dates. Similar to the assessment of market unit rate in the income approach, the Property Valuer have had regard to asking sale prices of comparable premises available on the market at the respective valuation dates. The comparable premises are of the same character with similar qualities to the subject properties. The sales prices of the subject properties were derived after having taken into consideration the adjustment factors on location, floor level, building quality and maintenance conditions.

The Valuations of the Properties

Everbright Financial Center

Location is always a critical factor in determining the value of properties. Everbright Financial Center is located in the traditional central business district of Chengdu, which is highly accessible and well-served by transportation facilities. Everbright Financial Center is situated at the corner of Caoshi Street and Xinhua Avenue, two main roads passing through Chengdu from west to east and north to south. They are also connected by subway lines and several bus lines. The convenient location has enabled Everbright Financial Center to attract tenants and to maintain a substantial occupancy rate in the properties.

Everbright Financial Center is a single owned property with the provision of property management services. As a result, the quality of the building has been well maintained since its completion in 2009. As disclosed in the JLL Report, the average vacancy rate of Grade B offices in the City Center increased from 16.2%

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in 2012 to 34.1% in 2015 but decreased to 29.1% in 2016, while the office premises (excluding warehouses and parking spaces which cannot be used as offices, commercial spaces or residence) of our Everbright Financial Center had an average occupancy rate of 97.0%, 96.1%, 83.2% and 81.5% for the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, respectively. We selected our tenants carefully so that the occupancy rate of Everbright Financial Center could be maintained at a level above market average during the Track Record Period. On the other hand, the available comparable premises are multiple-owned. Multiple-owned properties often associated with property management problems which result in faster rate of depreciation, outdated facilities and maintenance deficiency. Moreover, it is also difficult to ensure the quality of tenants in multiple-owned properties. Hence, the vacancy rates of multiple-owned properties are usually higher, in particularly during market downturn.

The subject building also has the benefit of having a retail component i.e. the whole of the 1 to 4 Levels. This portion is currently occupied by an anchor tenant, China Bohai Bank, who takes up the whole of 1 to 4 Levels for a term of 10 years from 2008. With the benefit of having a street frontage on Wenwu Road on its Level 1, the Property Valuer considered that this retail component enjoys a retail potential over office units.

The Property Valuer considers the rents agreed with China Bohai Bank were at market parity when lease commenced in 2008. The starting rent was substantially higher than those payable for the office counterparts on similar floor levels in 2008. Owing to the lack of direct comparables for similar retail components, the Property Valuer has to rely on the market unit rate for the office units to assess the reversionary value of the portion occupied by China Bohai Bank. Having analyzed the available information, the Property Valuer considers that the percentage difference of starting rent still applies for the retail and office portions as at the valuation dates, and has used it as a benchmark to determine the premium when assessing the market unit rates for the retail portion occupied by the anchor tenant in the building.

Ming Chang Building

Ming Chang Building is located on one of the major commercial roads in the city center of Kunming. It is connected by subway lines and several bus lines. The convenient location also enabled Ming Chang Building to attract tenants and to maintain a substantial occupancy rate in the property.

The valuations of the property have been quite stable due to the virtually full occupancy (i.e. 94.8% to 99.3%), enjoyed throughout the Track Record Period. While the average vacancy rate for Grade B office in Kunming was reported in the JLL Report to be between 20% to 30% in 2016, the virtually full occupancy allows the property to enjoy a mild growth in values during the Track Record Period.

Similar to Everbright Financial Center, Ming Chang Building has the benefit of having two retail components. The retail components are occupied by two anchor tenants i.e. China Everbright Bank and an electronic product and appliances retailer. China Everbright Bank takes up Level 1 to Level 3 (Portion) and whole of Level 4 and the electronic product and appliances retailer takes up Level 1 to Level 2 (Portion). Both retail component are with the benefit of having street frontage onto Renmin Zhong Road on their Level 1 and therefore, the Property Valuer considered that they enjoy a retail potential over office units. The rentals of both retail components are also substantially higher than the office counterpart on Level 3 of Ming Chang Building. The Property Valuer has used it as a benchmark to determine the premium when assessing for commercial use in the market unit rates for the retail portions.

Everbright International Mansion

Everbright International lies immediately adjacent to Everbright Financial Center and thus, shares the same locational advantages.

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Similar to the case in Everbright Financial Center and Ming Chang Building, a substantial amount of the retail space in the building has been leased and occupied by an anchor tenant Ren Ren Le, a major superstore operator in Chengdu. The premises for commercial use (excluding warehouses and parking spaces which cannot be used as offices, commercial spaces or residence) in our Everbright International Mansion had an average occupancy rate of 89.5%, 91.3%, 91.3% and 91.4% for the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, respectively. This retail component is situated on Level 1 (portion) to Level 3 and have street frontages onto Wenwu Road and Caoshi Street on its Level 1, the Property Valuer considered that this retail component enjoys a retail potential over office units. The lease is for a term of 18 years, committed and commenced from 2005 when the retail market was adversely affected by the aftermath of SARS. The agreed rents, including the starting amount and fixed escalations at intervals, have been very much below market parity by current market rate, and there will be a big difference in rental income at the time of reversion in 2023. As there is still some time for the reversion, the valuations of the property during the Track Record Period had remained quite affected by the lease commitment but closer to the reversions, and the property will enjoy relatively larger increase in value.

Dufu Garden

Dufu Garden is a residential compound comprises villas, townhouses and low-rise residential buildings right outside the West 2nd Ring of Chengdu. Analysis of comparable premises revealed that similar properties in the development shown a mild increase during the Track Record Period.

Sensitivity Analysis

Our financial results during the Track Record Period included changes in fair value of our properties and our results may fluctuate due to such changes in the fair value of our properties.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of the changes in fair value gains on investment properties on our profit before tax during the Track Record Period. Fluctuations in the changes in fair value gains on investment properties are assumed to be 5%, 10% and 15%.

	Changes in %		
	+/- 5%	+/- 10%	+/- 15%
	RMB'000	RMB'000	RMB'000
Hypothetical fluctuations			
Increase/decrease in profit before tax for the year ended			
December 31, 2014	+/-1,795	+/-3,590	+/-5,385
December 31, 2015	+/-940	+/-1,880	+/-2,820
December 31, 2016	+/-1,134	+/-2,267	+/-3,401
Increase/decrease in profit before tax for the six months ended			
June 30, 2016	+/-699	+/-1,399	+/-2,098
June 30, 2017	+/-336	+/-672	+/-1,008

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Other Net Income

Our other net income includes interest income from bank deposits, net gain on disposal of property, plant and equipment, net foreign exchange (losses)/gains, allowance for impairment losses (recognized)/reversed on trade and other receivables and others. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our other net income amounted to approximately RMB1.3 million, RMB1.2 million, RMB0.3 million, RMB0.6 million and RMB0.01 million, respectively. The table below sets forth a breakdown of our other net income for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Interest income from bank deposits.....	1,278	100.2	1,170	98.8	330	114.2	99	16.3	173	1,922.2
Net gain on disposal of property, plant and equipment.....	—	—	7	0.6	—	—	—	—	—	—
Net foreign exchange (losses)/gains.....	(21)	(1.6)	(152)	(12.8)	(135)	(46.7)	501	82.7	(340)	(3,777.7)
Allowance for impairment losses (recognized)/reversed — trade and other receivables.....	(25)	(2.0)	25	2.1	—	—	—	—	—	—
Others	43	3.4	134	11.3	94	32.5	6	1.0	176	1,955.5
	<u>1,275</u>	<u>100.0</u>	<u>1,184</u>	<u>100.0</u>	<u>289</u>	<u>100.0</u>	<u>606</u>	<u>100.0</u>	<u>9</u>	<u>100.0</u>

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Distribution Costs

Our distribution costs consist of remuneration for staff from the marketing department, repairment and maintenance expenses, depreciation, office expenses for marketing staff, decoration fee, insurance expenses and others. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our distribution costs amounted to approximately RMB0.6 million, RMB0.6 million, RMB0.5 million, RMB0.4 million and RMB0.4 million, respectively. The table below sets forth a breakdown of our distribution costs for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	265	46.4	299	46.8	290	55.4	231	55.1	157	40.9
Repairment and maintenance expenses	142	24.9	92	14.4	73	14.0	60	14.3	117	30.5
Depreciation	6	1.1	9	1.4	47	9.0	25	6.0	25	6.5
Office expenses for marketing staff	23	4.0	12	1.9	22	4.2	15	3.6	5	1.3
Decoration fee...	91	15.9	—	—	—	—	—	—	—	—
Insurance expenses	—	—	135	21.1	—	—	—	—	68	17.7
Others.....	44	7.7	92	14.4	91	17.4	88	21.0	12	3.1
Total	<u>571</u>	<u>100.0</u>	<u>639</u>	<u>100.0</u>	<u>523</u>	<u>100.0</u>	<u>419</u>	<u>100.0</u>	<u>384</u>	<u>100.0</u>

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Administrative Expenses

Our administrative expenses consist of remuneration for administrative staff, listing expenses, professional fees, other taxes, depreciation, office expenses for administrative staff and others. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our administrative expenses amounted to approximately RMB11.1 million, RMB10.5 million, RMB15.3 million, RMB6.2 million and RMB14.5 million, respectively. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	6,048	54.6	6,863	65.1	8,267	54.0	4,062	65.1	5,047	34.8
Listing expenses	—	—	—	—	3,040	19.9	—	—	7,208	49.8
Professional fees	1,868	16.9	1,020	9.7	1,251	8.2	620	9.9	1,189	8.2
Other taxes	87	0.8	111	1.1	436	2.8	232	3.6	165	1.1
Depreciation	509	4.6	469	4.4	368	2.4	193	3.1	170	1.2
Office expenses for administrative staff	836	7.5	838	7.9	977	6.4	632	10.1	346	2.4
Transportation and communication fees	375	3.4	208	2.0	164	1.1	67	1.1	125	0.9
Accommodation and conference fees	786	7.1	591	5.6	280	1.8	172	2.8	177	1.2
Insurance	68	0.6	88	0.8	97	0.6	41	0.7	40	0.3
Others	503	4.5	354	3.4	425	2.8	223	3.6	20	0.1
Total	11,080	100.0	10,542	100.0	15,305	100.0	6,242	100.0	14,487	100.0

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Other Operating Expenses

Our other operating expenses consist of business tax and surcharges for disposal of investment properties and others. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our other operating expenses amounted to approximately RMB6.2 million, RMB0.01 million, RMB0.08 million, RMB0.07 million and RMB0.01 million, respectively. The table below sets forth a breakdown of our other operating expenses for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Business tax and surcharges for disposal of investment properties ⁽¹⁾	6,087	98.9	—	—	—	—	—	—	—	—
Others.....	67	1.1	11	100.0	80	100.0	72	100.0	13	100.0
Total	<u>6,154</u>	<u>100.0</u>	<u>11</u>	<u>100.0</u>	<u>80</u>	<u>100.0</u>	<u>72</u>	<u>100.0</u>	<u>13</u>	<u>100.0</u>

Note:

- (1) We recorded business tax and surcharges for disposal of investment properties of approximately RMB6.1 million in 2014 in relation to the International Mansion's repurchasing of 49% of its shares held by Chengdu Tianfu. Pursuant to an equity and property exchange agreement entered into amongst Chengdu Municipal Bureau of Administration, Chengdu Tianfu and International Mansion, Chengdu Municipal Bureau of Administration agreed to pay RMB27.0 million and dispose of the 49% shares held by Chengdu Tianfu in International Mansion, in exchange for part of the properties in Everbright International Mansion. See "History, Reorganization and Group Structure — Our Development — Development of our properties — International Mansion" for details.

Finance Costs

Finance costs represent the interest expenses on bank loans and amounts due to Capital Century. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our finance costs amounted to approximately RMB9.1 million, RMB7.1 million, RMB3.1 million, RMB1.7 million and RMB1.2 million, respectively. The table below sets forth a breakdown of our finance costs for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Interest expenses on bank loans	5,997	65.7	4,504	63.4	3,123	100.0	1,699	100.0	1,186	100.0
Interest expenses on amounts due to a related party — Capital Century	3,130	34.3	2,599	36.6	—	—	—	—	—	—
Total.....	<u>9,127</u>	<u>100.0</u>	<u>7,103</u>	<u>100.0</u>	<u>3,123</u>	<u>100.0</u>	<u>1,699</u>	<u>100.0</u>	<u>1,186</u>	<u>100.0</u>

Income Tax Expenses

Our taxation expenses comprise of CIT, PRC withholding tax and LAT.

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Pursuant to the rules and regulations of the Cayman Islands and BVI, we are not subject to any income tax in the Cayman Islands and BVI. The income tax rate applicable to our entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the Track Record Period is 16.5%. No provision for Hong Kong Profits Tax has been made as we did not earn any income subject to Hong Kong Profits Tax during the Track Record Period.

Effective from January 1, 2008, under the CIT Law, the PRC's statutory income tax rate is 25%. Our PRC subsidiaries and branches are subject to PRC income tax at 25% unless otherwise specified. Pursuant to "Announcement of the State Administration of Taxation on Issues Relating to Enterprise Income Tax Pertaining to Implementation of the Catalog of Encouraged Industries in Western Region", Property Management falls within the eligible industry category and is eligible to enjoy the preferred income tax rate of 15% during the Track Record Period.

According to CIT Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since January 1, 2008. In addition, under the Mainland-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprises. We are subject to PRC withholding tax at a rate of 10% for dividends receivable by non-PRC corporate residents from PRC enterprises.

Our income tax expenses for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 were approximately RMB15.1 million, RMB13.5 million, RMB14.4 million, RMB7.8 million and RMB5.6 million, respectively. Effective tax rate is calculated by dividing income tax by the profit before taxation during each reporting period. Our effective tax rate for the same periods were approximately 27.55%, 28.23%, 31.43%, 29.76% and 38.09%, respectively. Our effective tax rate remained relatively stable from 2014 to 2015. Our effective tax rate increased from 2015 to 2016 primarily due to the withholding tax in relation to the dividend declared by one of our subsidiaries in 2016. Our effective tax rate increased from the six months ended June 30, 2016 to the six months ended June 30, 2017 primarily due to the LAT incurred in relation to the sales of two units of townhouse in Dufu Garden in January and June 2017, respectively, and the non-recurring listing expenses we incurred in relation to the Global Offering which is not deductible for tax purpose.

During the Track Record Period and up to the Latest Practicable Date, we fulfilled all of our tax obligations in all material aspects, made sufficient tax provision where necessary in our financial statements and did not have any unresolved tax disputes.

RESULTS OF OPERATIONS

Below is a discussion of our historical operating results for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017.

For the six months ended June 30, 2017 compared against the six months ended June 30, 2016

Revenue

Total revenue increased by approximately 18.9% from approximately RMB27.5 million for the six months ended June 30, 2016 to approximately RMB32.7 million for the six months ended June 30, 2017, mainly because we derived revenue from sales of properties held for sale of approximately RMB3.9 million for the six months ended June 30, 2017, while we did not record any revenue from sales of properties held for sale for the six months ended June 30, 2016. The increase was also attributable to the increases in property leasing and provision of property management services.

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Revenue from property leasing increased by approximately 2.1% from approximately RMB18.2 million for the six months ended June 30, 2016 to approximately RMB18.6 million for the six months ended June 30, 2017, primarily due to an increase in the revenue derived from Everbright International Mansion, Everbright Financial Center and Dufu Garden, partially offset by a decrease in the revenue derived from Ming Chang Building.

Revenue derived from Everbright Financial Center increased by approximately 2.1% from approximately RMB9.8 million for the six months ended June 30, 2016 to approximately RMB10.0 million for the six months ended June 30, 2017, primarily due to an increase in average monthly rent from approximately RMB65.5 per sq.m. for the six months ended June 30, 2016 to approximately RMB67.7 per sq.m. for the six months ended June 30, 2017 as a result of an increase in rent which was in line with prevailing market rates. This increase was partially offset by a decrease in the average occupancy rate of Everbright Financial Center from approximately 74.7% for the six months ended June 30, 2016 to approximately 73.8% for the six months ended June 30, 2017. The decrease in the average occupancy rate of Everbright Financial Center was mainly because we were not able to secure new tenants for immediate occupancy of certain of our commercial properties after the expiration of the lease agreement or early termination of the lease agreement by the former tenant.

Revenue derived from Ming Chang Building decreased by approximately 5.7% from approximately RMB4.6 million for the six months ended June 30, 2016 to approximately RMB4.3 million for the six months ended June 30, 2017, primarily due to a decrease in the average monthly rent from approximately RMB45.2 per sq.m. for the six months ended June 30, 2016 to approximately RMB42.6 per sq.m. for the six months ended June 30, 2017, which was mainly because rents of some properties in Ming Chang Building included decoration fees which were all amortized over the term of the original lease agreement. As a result, upon renewal of the lease agreement in the second half of 2016, the rents lowered as they no longer included decoration fees. The average occupancy rate of Ming Chang Building remained stable at approximately 99.3% for the six months ended June 30, 2016 and 2017.

Revenue derived from Everbright International Mansion increased by approximately 8.2% from approximately RMB3.7 million for the six months ended June 30, 2016 to approximately RMB4.0 million for the six months ended June 30, 2017, primarily due to an increase in average monthly rent from approximately RMB23.0 per sq.m. for the six months ended June 30, 2016 to approximately RMB24.9 per sq.m. for the six months ended June 30, 2017. Such increase in rent was in line with prevailing market rates and an increase in turnover rent we charged a tenant pursuant to the leasing agreement. The average occupancy rate of Everbright International Mansion remained stable at approximately 69.4% for the six months ended June 30, 2016 and 2017.

Revenue derived from Dufu Garden increased by approximately 78.0% from approximately RMB0.2 million for the six months ended June 30, 2016 to approximately RMB0.3 million for the six months ended June 30, 2017, primarily due to our commencement of a lease with a new tenant in January 2017.

Revenue from provision of property management services increased by approximately 10.3% from approximately RMB9.3 million for the six months ended June 30, 2016 to approximately RMB10.2 million for the six months ended June 30, 2017, primarily due to provision of additional value-added property management services, such as transportation services and reception services to an existing occupant, which is an independent third party, as well as the adjustment of property management fees which was in line with the prevailing market condition.

We recorded revenue from sales of properties held for sale of approximately RMB3.9 million for the six months ended June 30, 2017, primarily because we sold two units of townhouse in Dufu Garden in January and June 2017, respectively, while we did not record any revenue from sales of properties held for sale for the six months ended June 30, 2016.

Cost of Sales

Cost of sales increased by approximately 13.7% from approximately RMB7.5 million for the six months ended June 30, 2016 to approximately RMB8.6 million for the six months ended June 30, 2017, primarily due to

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the costs related to the sale of properties held for sale for the six months ended June 30, 2017 as well as an increase in the staff costs as we recruited more staff to provide property management services.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 20.8% from approximately RMB20.0 million for the six months ended June 30, 2016 to approximately RMB24.1 million for the six months ended June 30, 2017, mainly because we recorded revenue from sales of properties held for sale of approximately RMB3.9 million for the six months ended June 30, 2017. As such, gross profit margin increased from approximately 72.6% for the six months ended June 30, 2016 to approximately 73.8% for the six months ended June 30, 2017.

Valuation Gains on Investment Properties

There was an decrease in the valuation gains on investment properties of approximately RMB14.0 million for the six months ended June 30, 2016 compared to approximately RMB6.7 million for the six months ended June 30, 2017. The decrease in valuation gains on investment properties from June 30, 2016 to 2017 was in line with the market conditions.

Other Net Income

Other net income decreased from approximately RMB0.6 million for the six months ended June 30, 2016 to approximately RMB0.01 million for the six months ended June 30, 2017.

Distribution Costs

Distribution costs remained relatively stable at approximately RMB0.4 million for the six months ended June 30, 2016 and 2017.

Administrative Expenses

Administrative expenses increased by approximately 132.1% from approximately RMB6.2 million for the six months ended June 30, 2016 to approximately RMB14.5 million for the six months ended June 30, 2017, primarily due to the listing expenses of approximately RMB7.2 million we incurred for the six months ended June 30, 2017 for the preparation of the Global Offering, while we did not incur such listing expenses for the six months ended June 30, 2016.

Other Operating Expenses

Other operating expenses were approximately RMB0.07 million for the six months ended June 30, 2016 and RMB0.01 million for the six months ended June 30, 2017.

Finance Costs

Finance costs decreased by approximately 30.2% from approximately RMB1.7 million for the six months ended June 30, 2016 to approximately RMB1.2 million for the six months ended June 30, 2017, primarily due to repayment of certain bank loans and a decrease in an interest rate resulting from an adjustment in the PBOC benchmark interest rate.

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Profit for the Period and Net Profit Margin

Profit for the period decreased by approximately 50.1% from approximately RMB18.4 million for the six months ended June 30, 2016 to approximately RMB9.2 million for the six months ended June 30, 2017, mainly due to (i) the decrease in valuation gains on investment properties and (ii) the increase in listing expenses. Net profit margin is calculated by dividing profit for the period by the revenue during each reporting period. Our net profit margin decreased from approximately 66.8% for the six months ended June 30, 2016 to 28.0% for the six months ended June 30, 2017.

For the year ended December 31, 2016 compared against the year ended December 31, 2015

Revenue

Total revenue decreased by approximately 5.8% from approximately RMB59.4 million for the year ended December 31, 2015 to approximately RMB55.9 million for the year ended December 31, 2016, primarily due to a decrease in revenue from property leasing.

Revenue from property leasing decreased by approximately 9.6% from approximately RMB40.8 million for the year ended December 31, 2015 to approximately RMB36.9 million for the year ended December 31, 2016, primarily due to a decrease in the revenue derived from Everbright Financial Center and to a lesser extent, a decrease in the revenue derived from Ming Chang Building.

Revenue derived from Everbright Financial Center decreased from approximately RMB23.9 million in 2015 to approximately RMB20.3 million in 2016, primarily due to a decrease in average occupancy rate from approximately 87.0% in 2015 to approximately 75.3% in 2016, which was mainly because we were not able to secure a new tenant for immediate occupancy of an office space after the expiration of lease with the former tenant in 2016, and a slight decrease in average monthly rent from approximately RMB68.7 per sq.m. in 2015 to approximately RMB67.5 per sq.m. in 2016, which was mainly because a tenant entered into a three-month lease agreement with us after its long-term lease agreement expired in July 2015 so that it has sufficient time to relocate itself and we normally charge higher monthly rent for short-term lease agreement than long-term lease agreement.

Revenue derived from Ming Chang Building decreased slightly from approximately RMB9.2 million in 2015 to approximately RMB8.9 million in 2016, primarily due to a decrease in average monthly rent from approximately RMB45.6 per sq.m. in 2015 to approximately RMB43.9 per sq.m. in 2016, which was mainly because rents of some properties in Ming Chang Building included decoration fees which were all amortized over the term of the original lease agreement. As a result, upon renewal of the lease agreement in the second half of 2016, the rents lowered as they no longer included decoration fees. The average occupancy rate of Ming Chang Building remained stable at approximately 99.3% in both 2015 and 2016.

Revenue derived from Everbright International Mansion remained stable at approximately RMB7.3 million in both 2015 and 2016.

Revenue derived from Dufu Garden remained stable at approximately RMB0.4 million in both 2015 and 2016.

Revenue from provision of property management services increased by approximately 2.5% from approximately RMB18.5 million for the year ended December 31, 2015 to approximately RMB19.0 million for the year ended December 31, 2016, primarily due to provision of additional value-added property management services, such as transportation services and reception services to an existing occupant, which is an independent third party.

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Cost of Sales

Cost of sales increased by approximately 4.8% from approximately RMB13.3 million for the year ended December 31, 2015 to approximately RMB13.9 million for the year ended December 31, 2016, primarily due to an increase in the staff costs as we recruited more staff to provide property management services.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 8.9% from approximately RMB46.1 million for the year ended December 31, 2015 to approximately RMB42.0 million for the year ended December 31, 2016, primarily due to a decrease in revenue from property leasing and the increase of cost of sales. As such, gross profit margin decreased slightly from approximately 77.6% for the year ended December 31, 2015 to approximately 75.1% for the year ended December 31, 2016.

Valuation Gains on Investment Properties

There was an increase in the valuation gains on investment properties of approximately RMB22.7 million for the year ended December 31, 2016 compared to approximately RMB18.8 million for the year ended December 31, 2015. The increase in valuation gains on investment properties from 2015 to 2016 reflected improving property market conditions.

Other Net Income

Other net income decreased by approximately 75.6% from approximately RMB1.2 million for the year ended December 31, 2015 to approximately RMB0.3 million for the year ended December 31, 2016, primarily due to a decrease in interest income from bank deposits as we deposited most of our cash in banks in the form of current deposit instead of time deposit in 2016 for the purpose of preparing for the Global Offering.

Distribution Costs

Distribution costs remained relatively stable at approximately RMB0.6 million for the year ended December 31, 2015 and approximately RMB0.5 million for the year ended December 31, 2016.

Administrative Expenses

Administrative expenses increased by approximately 45.2% from approximately RMB10.5 million for the year ended December 31, 2015 to approximately RMB15.3 million for the year ended December 31, 2016, primarily due to an increase in staff costs as we required more administrative staff. It was also attributable to the listing expenses we incurred in 2016 for the preparation of the Global Offering, while we did not incur such expenses in 2015.

Other Operating Expenses

Other operating expenses remained stable at approximately RMB0.01 million and RMB0.08 million for the years ended December 31, 2015 and 2016.

Finance Costs

Finance costs decreased by approximately 56.0% from approximately RMB7.1 million for the year ended December 31, 2015 to approximately RMB3.1 million for the year ended December 31, 2016, primarily as a

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result of the settlement of amounts due to Capital Century. As of December 31, 2015, approximately RMB49.0 million of amounts due to Capital Century were interest bearing and interests were charged at the benchmark interest rate of PBOC, and the remaining approximately RMB43.6 million of amounts due to Capital Century were interest free. In 2016, we settled such amounts with Capital Century. Regarding the loans provided by Capital Century for our Group during the Track Record Period, the transactions were based on prevailing market price or rate in the ordinary and usual course of business and were conducted according to applicable and normal market usual practice and on normal commercial terms. See “Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence” for details. The decrease in finance costs from 2015 to 2016 was also due to a decrease in interest expenses on bank loans, as a result of our year-by-year repayment of residual bank loans.

Profit for the Year and Net Profit Margin

Profit for the year decreased by approximately 8.1% from approximately RMB34.3 million for the year ended December 31, 2015 to approximately RMB31.5 million for the year ended December 31, 2016, mainly as a result of the cumulative effect of the factors described above. Net profit margin is calculated by dividing profit for the year by the revenue during each reporting period. Our net profit margin remained relatively stable at approximately 57.8% and 56.3%, respectively, for the years ended December 31, 2015 and 2016.

For the year ended December 31, 2015 compared against the year ended December 31, 2014

Revenue

Total revenue increased by approximately 4.0% from approximately RMB57.1 million for the year ended December 31, 2014 to approximately RMB59.4 million for the year ended December 31, 2015, primarily due to the increases in revenue from property leasing and provision of property management services.

Revenue from property leasing increased by approximately 3.0% from approximately RMB39.7 million for the year ended December 31, 2014 to approximately RMB40.8 million for the year ended December 31, 2015, primarily due to an increase in the revenue derived from Ming Chang Building, Everbright International Mansion and Everbright Financial Center.

Revenue derived from Everbright Financial Center increased slightly from approximately RMB23.6 million in 2014 to approximately RMB23.9 million in 2015, primarily due to a slight increase in average monthly rent from approximately RMB67.0 per sq.m. in 2014 to approximately RMB68.7 per sq.m. in 2015 as a result of the rent increase in line with prevailing market rate. The average occupancy rate of Everbright Financial Center remained relatively stable at approximately 87.8% in 2014 and approximately 87.0% in 2015.

Revenue derived from Ming Chang Building increased from approximately RMB8.5 million in 2014 to approximately RMB9.2 million in 2015, primarily due to an increase in average occupancy rate from approximately 94.8% in 2014 to approximately 99.3% in 2015, and the average occupancy rate was relatively lower in 2014 mainly because we were not able to secure a new tenant for immediate occupancy of an office space after the expiration of lease with the former tenant in 2014. It was also due to a slight increase in average monthly rent from approximately RMB44.2 per sq.m. in 2014 to approximately RMB45.6 per sq.m. in 2015 as a result of rent increase that is in line with prevailing market rate.

Revenue derived from Everbright International Mansion increased slightly from approximately RMB7.2 million in 2014 to approximately RMB7.3 million in 2015, primarily due to an increase in average occupancy rate from approximately 68.0% in 2014 to approximately 69.4% in 2015, which was mainly because two tenants leased more office spaces in 2015. The average monthly rent of Everbright International Mansion remained stable at approximately RMB23.1 per sq.m. in both 2014 and 2015.

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Revenue derived from Dufu Garden remained stable at approximately RMB0.4 million in both 2014 and 2015.

Revenue from provision of property management services increased by approximately 6.2% from approximately RMB17.5 million for the year ended December 31, 2014 to approximately RMB18.5 million for the year ended December 31, 2015 primarily due to an increase in the hourly fare of parking lots.

Cost of Sales

Cost of sales increased by approximately 5.3% from approximately RMB12.6 million for the year ended December 31, 2014 to approximately RMB13.3 million for the year ended December 31, 2015, primarily due to an increase in staff costs as a result of the increase in average salaries.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 3.6% from approximately RMB44.5 million for the year ended December 31, 2014 to approximately RMB46.1 million for the year ended December 31, 2015, primarily due to an increase in our revenue. Gross profit margin remained relatively stable at approximately 77.9% for the year ended December 31, 2014 and approximately 77.6% for the year ended December 31, 2015.

Valuation Gains on Investment Properties

There was a decrease in the valuation gains on investment properties of approximately RMB18.8 million for the year ended December 31, 2015 compared to approximately RMB35.9 million for the year ended December 31, 2014. The decrease in valuation gains on investment properties from 2014 to 2015 was primarily attributable to the slowdown of the property market growth.

Other Net Income

Other net income remained stable at approximately RMB1.3 million and RMB1.2 million for the years ended December 31, 2014 and 2015.

Distribution Costs

Distribution costs remained stable at approximately RMB0.6 million for both of the years ended December 31, 2014 and 2015.

Administrative Expenses

Administrative expenses decreased by approximately 4.9% from approximately RMB11.1 million for the year ended December 31, 2014 to approximately RMB10.5 million for the year ended December 31, 2015, primarily because in 2014, our wholly-owned subsidiary, Sing Kong City initiated arbitration proceedings against an individual, who is an Independent Third Party, and incurred professional fees to legal counsels in relation to this arbitration, while in 2015 we did not have any arbitration proceedings. Such decrease was partially offset by an increase in staff costs as a result of the increase in average salaries. See “Business — Legal Proceedings and Compliance” for more details of the arbitration proceedings.

Other Operating Expenses

Other operating expenses decreased by approximately 99.8% from approximately RMB6.2 million for the year ended December 31, 2014 to approximately RMB0.01 million for the year ended December 31, 2015,

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primarily because we recorded one-off business tax and surcharges for disposal of investment properties of approximately RMB6.1 million in 2014 in relation to International Mansion's repurchasing of 49% of its shares held by Chengdu Tianfu. Pursuant to an equity and property exchange agreement entered into amongst Chengdu Municipal Bureau of Administration, Chengdu Tianfu and International Mansion, Chengdu Municipal Bureau of Administration agreed to pay RMB27.0 million and dispose of the 49% shares held by Chengdu Tianfu in International Mansion, in exchange for part of the properties in Everbright International Mansion. See "History, Reorganization and Group Structure — Our Development — Development of our properties — International Mansion" for details. There was no such business tax and surcharges for disposal of investment properties recorded in 2015.

Finance Costs

Finance costs decreased by approximately 22.2% from approximately RMB9.1 million for the year ended December 31, 2014 to approximately RMB7.1 million for the year ended December 31, 2015, primarily due to a decrease in interest expenses on bank loans from approximately RMB6.0 million in 2014 to approximately RMB4.5 million in 2015, as a result of our year-by-year repayment of residual bank loans and a decrease in interest rate resulted from the adjustment on the PBOC benchmark interest rate. It was also due to a decrease in interest expenses on amounts due to Capital Century from approximately RMB3.1 million in 2014 to approximately RMB2.6 million in 2015, as a result of a decrease in interest rate resulted from the adjustment on the PBOC benchmark interest rate.

Profit for the Year and Net Profit Margin

Profit for the year decreased by approximately 13.5% from approximately RMB39.7 million for the year ended December 31, 2014 to approximately RMB34.3 million for the year ended December 31, 2015, mainly as a result of the cumulative effect of the factors described above. Our net profit margin decreased from approximately 69.5% for the year ended December 31, 2014 to approximately 57.8% for the year ended December 31, 2015, primarily due to the decrease in valuation gains on investment properties from 2014 to 2015. Our profits for the year ended December 31, 2014 and 2015 (excluding the valuation gains on investment properties and corresponding deferred tax effect) were approximately RMB12.0 million and RMB20.2 million, respectively. Our profit for the year ended December 31, 2014 (excluding the valuation gains on investment properties and corresponding deferred tax effect) was significantly lower than that for the year ended December 31, 2015 primarily because we incurred business tax and surcharges for disposal of investment properties of approximately RMB6.1 million as a result of the share repurchase from Chengdu Tianfu by our subsidiary, International Mansion. See Note 22 to the Accountants' Report set out in Appendix I to this prospectus for details of the share repurchase.

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NET CURRENT ASSETS AND LIABILITIES

The table below sets out the information of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2014	2015	2016	June 30,	October 31,
	RMB'000	RMB'000	RMB'000	2017	2017
				RMB'000	RMB'000
					(unaudited)
Current assets					
Properties held for sale	5,536	5,536	5,536	4,364	3,719
Trade and other receivables	4,991	3,944	3,342	9,519	10,050
Amounts due from a related party					
— Capital Century	54,116	84,889	2,065	—	—
Cash and cash equivalents	54,465	36,640	42,693	40,432	42,032
	<u>119,108</u>	<u>131,009</u>	<u>53,636</u>	<u>54,315</u>	<u>55,801</u>
Current liabilities					
Trade and other payables	7,431	6,354	6,357	10,385	10,388
Receipts-in-advance	5,347	8,084	8,364	10,525	10,490
Amounts due to a related party					
— Capital Century	92,177	92,559	—	—	—
Bank loans	14,271	14,816	15,313	10,720	7,588
Current taxation	6,114	4,388	4,404	1,026	356
	<u>125,340</u>	<u>126,201</u>	<u>34,438</u>	<u>32,656</u>	<u>28,822</u>
Net current (liabilities)/assets	<u>(6,232)</u>	<u>4,808</u>	<u>19,198</u>	<u>21,659</u>	<u>26,979</u>

Our current assets consist primarily of properties held for sale, trade and other receivables, amounts due from Capital Century and cash and cash equivalents. Our current liabilities consist primarily of trade and other payables, receipts-in-advance, amounts due to Capital Century, bank loans and current taxation.

We had net current liabilities of RMB6.2 million as of December 31, 2014 and net current assets of RMB4.8 million and RMB19.2 million as of December 31, 2015 and 2016, respectively. As of December 31, 2014, we were in a net current liabilities position mainly because Capital Century continued to provide funding to us for the development of the commercial properties held by us and we had expanded our scale of operation. As a result, we recorded amounts due to Capital Century of RMB92.2 million, comprising a substantial portion of our current liabilities as of December 31, 2014. Such net current liabilities position as of December 31, 2014 turned into a net current assets position as of December 31, 2015, primarily due to an increase in amounts due from Capital Century from approximately RMB54.1 million as of December 31, 2014 to approximately RMB84.9 million as of December 31, 2015, being partially offset by a decrease in cash and cash equivalents from approximately RMB54.5 million as of December 31, 2014 to approximately RMB36.6 million as of December 31, 2015. It was mainly because we provided funding to Capital Century for its business expansion in 2015. See “Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence” for details. In 2016, we settled all the amounts due to Capital Century. We expect to avoid such future net current liabilities position with (i) the net proceeds from the Global Offering. See “Future Plans and Use of Proceeds — Use of Proceeds” for details; (ii) funds generated from our business operations; and (iii) elimination or reduction of unnecessary advance to and from related parties.

As of June 30, 2017, our net current assets increased to approximately RMB21.7 million from approximately RMB19.2 million as of December 31, 2016. The increase was primarily resulted from (i) an increase in trade and other receivables from approximately RMB3.3 million as of December 31, 2016 to approximately RMB9.5 million as of June 30, 2017, primarily due to increased receivables from one of our

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tenants with whom we have a long-term relationship and who has a good historical repayment record; (ii) a decrease in bank loans from approximately RMB15.3 million as of December 31, 2016 to approximately RMB10.7 million as of June 30, 2017 mainly as a result of our repayment of certain bank loans; and (iii) a decrease in current taxation from approximately RMB4.4 million as of December 31, 2016 to approximately RMB1.0 million as of June 30, 2017 mainly because we settled and paid our taxes in May 2017 for the previous year, being partially offset by (i) an increase in trade and other payables from approximately RMB6.4 million as of December 31, 2016 to approximately RMB10.4 million as of June 30, 2017 mainly as a result of the listing expenses we incurred during the six months ended June 30, 2017; (ii) a decrease in cash and cash equivalents from approximately RMB42.7 million as of December 31, 2016 to approximately RMB40.4 million as of June 30, 2017; and (iii) an increase in receipts-in-advance from approximately RMB8.4 million as of December 31, 2016 to approximately RMB10.5 million as of June 30, 2017 primarily due to rents and property management fees prepaid by certain new tenants as well as an existing tenant who renewed its lease with us, and prepayment made by a property purchaser in relation to the purchase of our properties held for sale.

Our net current assets of approximately RMB19.2 million as of December 31, 2016 increased from net current assets of approximately RMB4.8 million as of December 31, 2015. The increase was primarily due to an increase in cash and cash equivalents generated from our operation and a settlement of amounts due to Capital Century, being partially offset by a significant decrease in amounts due from Capital Century due to the partial settlement by it.

Our net current assets were approximately RMB4.8 million as of December 31, 2015, compared to net current liabilities of approximately RMB6.2 million as of December 31, 2014. The change was mainly due to an increase in amounts due from Capital Century, being partially offset by a decrease in cash and cash equivalents.

As of October 31, 2017, we had net current assets of RMB27.0 million.

DISCUSSION OF CERTAIN ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Investment properties

Our investment properties mainly consist of land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. As of December 31, 2014, 2015 and 2016 and June 30, 2017, the fair values of our investment properties were approximately RMB815.3 million, RMB834.2 million, RMB857.1 million and RMB864.3 million, respectively. The fair value of our investment properties continued to increase during the Track Record Period, primarily reflecting improving property market conditions.

Property, plant and equipment

We hold property, plant and equipment mainly consisting of buildings for own use, and equipment and others such as parking lots charging system and computer equipments. As of December 31, 2014, 2015 and 2016 and June 30, 2017, the net book values of our property, plant and equipment were approximately RMB3.8 million, RMB3.7 million, RMB3.8 million and RMB3.6 million, respectively, and remained relatively stable during the Track Record Period.

Properties held for sale

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the book values of our Group's properties held for sale were approximately RMB5.5 million, RMB5.5 million, RMB5.5 million and RMB4.4 million, respectively. The book value of our properties held for sale had remained stable from 2014 to 2016 and was decreased by approximately 21.2% from approximately RMB5.5 million as of December 31, 2016 to approximately RMB4.4 million as of June 30, 2017, primarily because we sold two units of townhouse in Dufu Garden in January and June 2017, respectively.

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Trade and other receivables

The table below sets out the information of our trade and other receivables of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	4,956	3,844	2,974	6,799
Less: allowance for impairment of trade receivables	(166)	(141)	(141)	(141)
	4,790	3,703	2,833	6,658
Prepayments	—	—	—	2,042
Other receivables	201	241	509	819
	<u>4,991</u>	<u>3,944</u>	<u>3,342</u>	<u>9,519</u>

Trade receivables

Trade receivables are primarily related to revenue recognized from property leasing and provision of property management services. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our net book value of trade receivables were approximately RMB4.8 million, RMB3.7 million, RMB2.8 million and RMB6.7 million, respectively. Trade receivables remained relatively stable from 2014 to 2016. Trade receivables increased from RMB2.8 million as of December 31, 2016 to RMB6.7 million as of June 30, 2017, primarily due to increased receivables from one of our tenants with whom we have a long-term relationship and who has a good historical repayment record.

We do not have a general credit policy and the credit term we grant to our customers is based on a number of factors, including their reputation, scale, internal policy and the history and relationship with us.

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2014	2015	2016	2017
Trade receivables turnover days ⁽¹⁾	<u>33</u>	<u>27</u>	<u>22</u>	<u>27</u>

Note:

- (1) Trade receivables turnover days for the relevant period/year is the average of the opening and closing trade receivables divided by the turnover for the relevant period/year, and multiplied by the number of days in the relevant period/year.

The trade receivables turnover days decreased from 2014 to 2016 primarily due to the decrease in our trade receivables. The trade receivables turnover days increased from the year ended December 31, 2016 to the six months ended June 30, 2017 which was in line with the increase in our trade receivables.

As of November 30, 2017, approximately RMB4.0 million, representing approximately 60.3% of our trade receivables outstanding as of June 30, 2017, had been settled.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the aging of trade receivables (net of allowance for doubtful debts) based on the date of the relevant trade receivables recognized were within one year, except for amounts of approximately RMB3.6 million, RMB3.3 million, RMB2.1 million and RMB1.9 million, respectively, which were expected to be recovered after one year as of December 31, 2014, 2015 and 2016 and June 30, 2017.

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The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
Neither past due nor impaired	4,199	3,703	2,661	2,998
Less than one year past due				
Within 3 months	197	—	172	1,853
3 months to 6 months	197	—	—	1,807
6 months to 1 year	197	—	—	—
	<u>591</u>	<u>—</u>	<u>172</u>	<u>3,660</u>
	<u>4,790</u>	<u>3,703</u>	<u>2,833</u>	<u>6,658</u>

The significant increase in the amount of past due trade receivables as of June 30, 2017 was mainly because some of our tenants delayed their rental payments after their leases expired as of June 30, 2017. As of the Latest Practicable Date, we had entered into renewed leases with these tenants except one tenant which was undergoing internal approval procedures to renew the lease. As of November 30, 2017, approximately RMB4.0 million, representing approximately 60.3% of our trade receivables outstanding as of June 30, 2017, had been settled.

Impairment losses in respect of trade receivables are recorded using an allowance account unless we are satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for impairment of trade receivables during the Track Record Period is as follows:

	2014	2015	2016	As of
	RMB'000	RMB'000	RMB'000	June 30,
As of January 1	141	166	141	2017
Allowance for impairment loss recognized/(reversed)	<u>25</u>	<u>(25)</u>	<u>—</u>	RMB'000
As of December 31	<u>166</u>	<u>141</u>	<u>141</u>	<u>141</u>

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our trade receivables of approximately RMB0.2 million, RMB0.1 million, RMB0.1 million and RMB0.1 million, respectively, were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables was expected to be recovered.

Prepayments

Prepayments mainly represent listing expenses prepaid by us. As of June 30, 2017, our prepayments were approximately RMB2.0 million.

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Other receivables

Other receivables mainly comprise our prepaid utility charges and utility charges we paid on behalf of our tenants. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our other receivables were approximately RMB0.2 million, RMB0.2 million, RMB0.5 million and RMB0.8 million, respectively.

Trade and other payables

As of December 31, 2014, 2015 and 2016, our trade and other payables remained relatively stable and were approximately RMB7.4 million, RMB6.4 million and RMB6.4 million, respectively. Our trade and other payables increased from approximately RMB6.4 million as of December 31, 2016 to approximately RMB10.4 million as of June 30, 2017, mainly because we recorded accrued listing expenses of approximately RMB2.5 million as of June 30, 2017.

The table below sets out the information of our trade and other payables of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	282	382	328	376
Interest payable	146	99	74	55
Other taxes and charges payable.....	904	776	597	884
Deposits ⁽¹⁾	4,759	4,340	4,321	4,839
Accrued payroll and other benefits	36	54	53	579
Accrued listing expenses	—	—	—	2,514
Other payables.....	1,304	703	984	1,138
	<u>7,431</u>	<u>6,354</u>	<u>6,357</u>	<u>10,385</u>

Note:

(1) Deposits represent rental deposits received from tenants during the leasing period.

Our trade payables are primarily related to our payments to suppliers of decoration and maintenance components and materials. These suppliers normally do not extend credit terms to us.

	As of/for the year ended December 31,			As of/for six months ended June 30,
	2014	2015	2016	2017
Trade payables turnover days ⁽¹⁾	<u>6</u>	<u>9</u>	<u>9</u>	<u>8</u>

Note:

(1) Trade payables turnover days for the relevant period/year is the average of the opening and closing trade payables divided by the cost of sales for the relevant period/year, and multiplied by the number of days in the relevant period/year.

The trade payables turnover days remained relatively stable during the Track record Period.

As of November 30, 2017, approximately RMB0.3 million, or approximately 69.0% of our trade payables outstanding as of June 30, 2017, had been settled.

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Receipts-in-advance

Receipts-in-advance are trade in nature, comprising rent and property management fees prepaid by tenants and prepayments made by the property purchasers in relation to the purchase of our properties held for sale. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our receipts-in-advance were approximately RMB5.3 million, RMB8.1 million, RMB8.4 million and RMB10.5 million, respectively. Our receipts-in-advance increased from approximately RMB8.4 million as of December 31, 2016 to approximately RMB10.5 million as of June 30, 2017, primarily due to rents and property management fees prepaid by certain new tenants as well as an existing tenant who renewed its lease with us, and prepayment made by a property purchaser in relation to the purchase of our properties held for sale. Our receipts-in-advance remained relatively stable as of December 31, 2015 and 2016. Our receipts-in-advance increased from approximately RMB5.3 million as of December 31, 2014 to RMB8.1 million as of December 31, 2015, primarily due to the fact that one of our tenants was in the progress of renewing the leasing agreement and no prepayment was made by it in 2014, and in January 2015, the leasing agreement was finalized and such prepayment was made.

Amounts due from and to a related party

As of December 31, 2014, 2015 and 2016, our amounts due from and to a related party, namely Capital Century, were all non-trade in nature. There was no such amount due from and to Capital Century recorded as of June 30, 2017.

The table below sets forth the amounts due from and to Capital Century as of the dates indicated:

	As of December 31,			As of
	2014	2015	2016	June 30,
	RMB'000	RMB'000	RMB'000	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade:				
Amounts due from a related party				
— Capital Century	54,116	84,889	2,065	—
Amounts due to a related party				
— Capital Century	92,177	92,559	—	—

Amounts due from Capital Century were unsecured, interest free, non-trade in nature and repayable on demand. Amounts due from Capital Century increased from approximately RMB54.1 million as of December 31, 2014 to approximately RMB84.9 million as of December 31, 2015. Amounts due from Capital Century decreased from approximately RMB84.9 million as of December 31, 2015 to approximately RMB2.1 million as of December 31, 2016, primarily due to the repayment of part of such amounts by Capital Century upon our demand. Subsequently, Capital Century settled the remaining RMB2.1 million of such amounts with us in April 2017.

Amounts due to Capital Century represented advances provided by Capital Century to us before the Track Record Period for the development of the commercial properties currently held by us and were unsecured, non-trade in nature and repayable on demand. As of December 31, 2014 and 2015, approximately RMB49.0 million and RMB49.0 million, respectively, of amounts due to Capital Century were interest bearing and interests were charged at the benchmark interest rate of PBOC. The remaining balances due to Capital Century were interest-free. During the Track Record Period, the increase in amounts due to Capital Century from approximately RMB92.2 million as of December 31, 2014 to approximately RMB92.6 million as of December 31, 2015 was mainly due to unpaid interest during the year. On December 31, 2016, Capital Century waived liabilities of approximately RMB10.3 million arising from certain expenses in relation to the management remuneration and other expenses paid by Capital Century on our behalf. We settled all the remaining balance of amounts due to Capital Century in 2016.

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Regarding the loans provided by Capital Century to us during the Track Record Period, save for a portion of them that were interest-free as disclosed above, our Directors have confirmed that the transactions were based on prevailing market rate in the ordinary and usual course of business and were conducted according to applicable and normal market usual practice and on normal commercial terms. See “Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence” for details. Our Directors have further confirmed that these related party transactions would not distort our results of operations during the Track Record Period or make our historical results not reflective of our expectations for our future performance. For more details of related party transactions, see Note 24 to the Accountants’ Report set out in Appendix I to this prospectus.

PRC statutory reserves

Our opening PRC statutory reserve was RMB0.1 million, representing only 0.05% of our retained profits as at January 1, 2014; and our PRC statutory reserves transferred during the years ended December 31, 2014, 2015 and 2016 represented only 1.6%, 2.2% and 2.3% , respectively, of our profit after taxation for the corresponding periods. This was primarily due to:

- (i) the difference of accounting treatment adopted between the Accounting Standards for Business Enterprises (the “ASBE”) and the HKFRSs for investment properties;
- (ii) no PRC statutory reserve appropriation is required for profit after taxation contributed by non-PRC subsidiaries; and
- (iii) utilization of accumulated losses in offsetting against the profit after taxation by the PRC subsidiaries of our Company.

Opening PRC statutory reserves:

Sing Kong City, International Mansion, Finance Center and Property Management (together, the “**PRC Subsidiaries**”) are required to transfer 10% of their profit after taxation (after offsetting the accumulated losses in the preceding years), as determined under PRC Accounting Standards (i.e. the ASBE), to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. Other subsidiaries of our Company, including Brighter Win which owns Ming Chang Building and generated net profits during the Track Record Period, were incorporated outside the PRC and are not subject to the statutory reserve requirement as stipulated under the PRC Company Law.

Therefore, our PRC statutory reserve was calculated based on the profit after taxation generated by each of the PRC Subsidiaries in accordance with the ASBE during the Track Record Period. In preparation of the accounts under the ASBE, the PRC Subsidiaries have adopted the cost model for investment properties held by them, in which investment properties are initially measured at cost and are carried at cost less accumulated depreciation, and accumulated impairment losses subsequently at each period end. However, in preparing the Historical Financial Information set out in Appendix I to this prospectus, the PRC Subsidiaries have adopted fair value model to account for their investment properties in accordance with the HKFRSs (see note 2 (d) to the Accountants’ Report set out in Appendix I to this prospectus). The investment properties are stated at fair value with any gain or loss arising from a change in fair value recognized in profit or loss.

As at January 1, 2014, only Property Management had retained profits while the other PRC Subsidiaries had accumulated losses pursuant to the accounts under ASBE. Therefore, we recorded PRC statutory reserves of RMB0.1 million as at January 1, 2014.

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PRC statutory reserves transferred during the years ended December 31, 2014, 2015 and 2016:

During the Track Record Period, among the PRC Subsidiaries which were required to transfer statutory reserves, International Mansion and Sing Kong City were still in accumulated loss position and not subject to statutory reserve requirements, while Property Management and Finance Center had recorded profit after taxation of approximately RMB6.3 million, RMB7.5 million and RMB7.2 million in aggregate for the years ended December 31, 2014, 2015 and 2016, respectively, pursuant to the accounts under the ASBE. As a result, we transferred RMB0.6 million, RMB0.7 million and RMB0.7 million to the PRC statutory reserves during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary liquidity requirements relate to the funding of required working capital to support an increase in our scale of operations, purchase of property, plant and equipment and potential property acquisition. To date, we have financed our cash requirements through a consolidation of cash generated from operating activities and the proceeds of capital contributions from our Shareholders. In the future, we expect to continue relying on cash flows from operations, the proceeds from the Global Offering and other debt and equity financing to fund our working capital needs and finance part of our business expansion.

Cash Flows

The table below is a summary of our consolidated statements of cash flows during the Track Record Period.

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash generated from operating activities.....	32,096	36,423	30,393	9,500	12,032
Net cash (used in)/generated from investing activities	(5,012)	660	(471)	(157)	(296)
Net cash used in financing activities	(23,605)	(54,910)	(23,875)	(23,440)	(13,469)
Net increase/(decrease) in cash and cash equivalents...	3,479	(17,827)	6,047	(14,097)	(1,733)
Cash and cash equivalents at the beginning of the year/ period	50,985	54,465	36,640	36,640	42,693
Effect of foreign exchange rate changes	1	2	6	4	(528)
Cash and cash equivalents at the end of the year/ period	<u>54,465</u>	<u>36,640</u>	<u>42,693</u>	<u>22,547</u>	<u>40,432</u>

Cash flows from operating activities

During the Track Record Period, our cash inflows from operating activities were principally derived from the receipt of payments for our property leasing and provision of property management services. Our primary cash outflows from operating activities are mainly for the operating expenses in relation to the provision of our services and taxes.

For the six months ended June 30, 2017, our net cash generated from operating activities was approximately RMB12.0 million, primarily reflecting (i) profit before income tax of approximately RMB14.8 million; (ii) adjustment for listing expenses of approximately RMB7.2 million; (iii) cash inflow from increase in trade and other payables of approximately RMB5.7 million; (iv) adjustment for finance costs of approximately RMB1.2 million; and (v) cash inflow from decrease in properties held for sale of approximately RMB1.2 million,

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partially offset by (i) adjustment for valuation gains on investment properties of approximately RMB6.7 million; (ii) cash outflow from increase in trade and other receivables of approximately RMB6.2 million; and (iii) cash outflow from CIT and LAT payment of approximately RMB2.9 million and RMB2.6 million, respectively.

For the year ended December 31, 2016, our net cash generated from operating activities was approximately RMB30.4 million, primarily reflecting (i) profit before income tax of approximately RMB46.0 million; (ii) adjustment for finance costs of approximately RMB3.1 million; (iii) cash inflow from increase in amounts due to Capital Century of approximately RMB3.7 million; (iv) adjustment for listing expenses of approximately RMB3.0 million; and (v) cash inflow from decrease in trade and other receivables of approximately RMB0.6 million, partially offset by (i) adjustment for valuation gains on investment properties of approximately RMB22.7 million; and (ii) cash outflow from CIT payment of approximately RMB4.0 million.

For the year ended December 31, 2015, our net cash generated from operating activities was approximately RMB36.4 million, primarily reflecting (i) profit before income tax of approximately RMB47.8 million; (ii) adjustment for finance costs of approximately RMB7.1 million; (iii) cash inflow from increase in amounts due to Capital Century of approximately RMB3.4 million; (iv) cash inflow from increase in trade and other payables of approximately RMB1.7 million; and (v) decrease in trade and other receivables of approximately RMB1.1 million, partially offset by (i) adjustment for valuation gains on investment properties of approximately RMB18.8 million; and (ii) cash outflow from CIT payment of approximately RMB5.3 million.

For the year ended December 31, 2014, our net cash generated from operating activities was approximately RMB32.1 million, primarily reflecting (i) profit before income tax of approximately RMB54.8 million; (ii) adjustment for finance costs of approximately RMB9.1 million; (iii) adjustment for business tax and surcharges paid for disposal of investment properties of approximately RMB6.1 million; and (iv) cash inflow from increase in amounts due to Capital Century of approximately RMB3.2 million, partially offset by the cash outflows from (i) adjustment for valuation gains on investment properties of approximately RMB35.9 million; and (ii) the cash outflows from CIT payment of approximately RMB3.0 million.

Cash flows from investing activities

For the six months ended June 30, 2017, our net cash used in investing activities was approximately RMB0.3 million, which mainly consisted of a payment of approximately RMB0.5 million for purchase of property, plant and equipment mainly for leasehold maintenance, partially offset by interest of approximately RMB0.2 million received relating to bank deposits.

For the year ended December 31, 2016, our net cash used in investing activities was approximately RMB0.5 million, which mainly consisted of payment of approximately RMB0.8 million for purchase of property, plant and equipment mainly for leasehold maintenance, partially offset by interest of approximately RMB0.3 million received relating to bank deposits.

For the year ended December 31, 2015, our net cash generated from investing activities was approximately RMB0.7 million, which mainly consisted of interest received of approximately RMB1.2 million relating to bank deposits, partially offset by payment of approximately RMB0.5 million for purchase of property, plant and equipment mainly for leasehold maintenance.

For the year ended December 31, 2014, our net cash used in investing activities was approximately RMB5.0 million, which mainly consisted of business tax and surcharges paid for disposal of investment properties of approximately RMB6.1 million and payment of approximately RMB0.2 million for purchase of property, plant and equipment mainly for leasehold maintenance, partially offset by interest of approximately RMB1.3 million received relating to bank deposits.

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Cash flows from financing activities

For the six months ended June 30, 2017, our net cash used in financing activities was approximately RMB13.5 million, which mainly consisted of: (i) repayment of bank loans of approximately RMB7.6 million; (ii) payment of listing expenses of approximately RMB6.7 million; and (iii) interest payment of approximately RMB1.2 million, partially offset by repayment from Capital Century of approximately RMB2.1 million.

For the year ended December 31, 2016, our net cash used in financing activities was approximately RMB23.9 million, which mainly consisted of: (i) repayment of borrowings from Capital Century of approximately RMB86.0 million; (ii) lending to Capital Century of approximately RMB23.2 million; (iii) repayments of bank loans of approximately RMB14.8 million; (iv) interest payment of approximately RMB3.1 million; and (v) payment of listing expenses of approximately RMB3.0 million, partially offset by repayment from Capital Century of approximately RMB106.0 million.

For the year ended December 31, 2015, our net cash used in financing activities was approximately RMB54.9 million, which mainly consisted of: (i) lending to Capital Century of approximately RMB31.2 million; (ii) repayment of bank loans of approximately RMB14.3 million; (iii) repayment of borrowings from Capital Century of approximately RMB5.3 million; and (iv) interest payment of approximately RMB4.6 million, partially offset by repayments from Capital Century of approximately RMB0.5 million.

For the year ended December 31, 2014, our net cash used in financing activities was approximately RMB23.6 million, which mainly consisted of: (i) repayment of bank loans of approximately RMB13.1 million; (ii) interest payment of approximately RMB6.0 million; (iii) repayment of borrowings from Capital Century of approximately RMB4.5 million; and (iv) lending to Capital Century of approximately RMB3.0 million, partially offset by proceeds from borrowings from Capital Century of approximately RMB2.0 million.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily comprised payment for the purchase of property, plant and equipment and investment properties. During the Track Record Period, our capital expenditures amounted to approximately RMB0.2 million, RMB0.5 million, RMB0.8 million, RMB0.3 million and RMB0.5 million for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, respectively. We estimate our future capital expenditures for the year ending December 31, 2017 to be approximately RMB1.5 million, which will be funded by funds generated from our business operations. Such capital expenditure would be mainly for the purpose of expenditures for the purchase of equipment and leasehold improvements. See “Future Plans and Use of Proceeds” for details.

INDEBTEDNESS AND CONTINGENCIES

Bank loans

	As of December 31,			As of	As of
	2014	2015	2016	June 30,	October 31,
	RMB'000	RMB'000	RMB'000	2017	2017
				RMB'000	RMB'000
					<i>(unaudited)</i>
Bank loans — secured					
— Within one year or on demand	14,271	14,816	15,313	10,720	7,588
— More than one year but less than two years	14,816	15,313	6,000	6,000	6,000
— More than two years but less than five years	27,313	18,500	19,500	23,500	23,500
— More than five years	20,500	14,000	7,000	—	—
	<u>62,629</u>	<u>47,813</u>	<u>32,500</u>	<u>29,500</u>	<u>29,500</u>
	<u>76,900</u>	<u>62,629</u>	<u>47,813</u>	<u>40,220</u>	<u>37,088</u>

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We had bank loans with a carrying value of approximately RMB76.9 million, RMB62.6 million, RMB47.8 million and RMB40.2 million, respectively, as of December 31, 2014, 2015 and 2016 and as of June 30, 2017, secured by investment properties (with a carrying amount of approximately RMB622.7 million, RMB636.5 million, RMB653.9 million and RMB660.6 million) and buildings (with a carrying amount of approximately RMB2.5 million, RMB2.3 million, RMB2.2 million and RMB2.1 million) owned by us, respectively.

Our effective interest rates of bank loans as of December 31, 2014, 2015 and 2016 and as of June 30, 2017 varied from approximately 6.77% to 7.21%, 5.39% to 6.88% and 5.15% to 5.67% and 5.15% to 5.39% per annum, respectively.

As of October 31, 2017, we had bank loans with a carrying value of approximately RMB35.1 million, secured by investment properties (with carrying amount of approximately RMB678.1 million) and buildings (with carrying amount of approximately RMB2.1 million) owned by us. Our effective interest rates of bank loans as of October 31, 2017 varied from 5.15% to 5.39%. As at October 31, 2017, being the latest practicable date for the purpose of determining our indebtedness, we did not have any unutilized banking facilities.

Our Directors confirmed that we had not experienced difficulties in meeting obligations during the Track Record Period. Certain loan agreements contain covenants where our relevant PRC operating subsidiaries may not enter into any merger, joint venture or restructuring, or decrease its registered share capital, transfer material assets, liquidate, change its shareholding, or distribute dividends, without the relevant lenders' prior written consent or unless we first fully settle the amounts outstanding under the relevant loan agreements. Some loan agreements also require our relevant PRC operating subsidiaries to maintain certain financial ratios at specified levels. For example, one of the loan agreements provided that the total amount of guarantee provided by one of our PRC subsidiaries to any other party shall not exceed 50% of net assets of such subsidiary. Our Directors confirmed that we had not been in breach of any covenant relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financing.

Save as otherwise disclosed herein, and apart from intra-group liabilities, as at October 31, 2017, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or contingent liabilities. Save as otherwise disclosed in this prospectus, our Directors confirm that there has been no material change in our indebtedness since 2017.

Our Directors confirm that the transactions with respect to the amounts due from and due to Capital Century were unsecured, unguaranteed and conducted on an arm's length basis, and would not distort our track record results or make the historical results not reflective of our future performance, and the outstanding balances due from and due to Capital Century have been settled before the Listing. For further details on related party balances and transactions, see Note 24 to the Accountants' Report set out in Appendix I to this prospectus.

WORKING CAPITAL

Working capital is critical to our financial performance and we must maintain sufficient liquidity and financial flexibility to continue our daily operations. Our current assets primarily consist of cash and cash equivalents, trade and other receivables, properties held for sale as well as amounts due from Capital Century. Our current liabilities primarily consist of trade and other payables, bank loans, amounts due to Capital Century, receipts-in-advance and current taxation. We manage our working capital by closely monitoring the levels of our payables and loans as well as cash and cash equivalents. Our cash position consists primarily of cash and bank balances.

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As of June 30, 2017, we had cash and cash equivalents of approximately RMB40.4 million. Taking into account (i) the estimated net proceeds from the Global Offering; and (ii) the internal resources available to our Group, including cash and cash equivalents on hand and funds generated from our business operations, our Directors confirm that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

KEY FINANCIAL RATIOS

The table below sets out our key financial ratios as of the dates or for the years indicated.

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
Return on equity (%) ^{(1) (6)}	6.1	5.4	4.7	1.3
Return on total assets (%) ^{(2) (6)}	4.0	3.6	3.3	1.0
Interest coverage ratio ⁽³⁾	7.0	7.7	15.7	13.5
Gearing ratio (%) ⁽⁴⁾	20.3	17.1	6.9	5.7
Current ratio ⁽⁵⁾	0.95	1.04	1.56	1.66

Notes:

- (1) Return on equity is calculated by dividing profit for the year/period by the average of the total equity at the beginning and the end of each period.
- (2) Return on total assets is calculated by dividing profit for the year/period by the average of the total assets at the beginning and the end of each period.
- (3) Interest coverage ratio is calculated based on the profit before interest expenses and income tax divided by the interest expenses during each reporting period.
- (4) Gearing ratio is calculated based on our total debts (include bank loans and interest-bearing amounts due to Capital Century) divided by our total equity as of the end of each reporting period.
- (5) Current ratio is calculated based on the total current assets divided by our total current liabilities as of the end of each reporting period.
- (6) The calculation for the return for the six months ended June 30, 2017 has not been annualized.

Return on equity

Our return on equity decreased from approximately 6.1% for the year ended December 31, 2014 to approximately 5.4% for the year ended December 31, 2015, and further decreased to approximately 4.7% for the year ended December 31, 2016. The reason for the general decrease in our return on equity from 2014 to 2016 was in line with the decrease in our net profit during the year from 2014 to 2016.

Return on total assets

Our return on total assets decreased from approximately 4.0% for the year ended December 31, 2014 to approximately 3.6% for the year ended December 31, 2015, and further decreased to approximately 3.3% for the year ended December 31, 2016, primarily due to the decrease in our net profit from 2014 to 2016.

Interest coverage ratio

Our interest coverage ratio increased from approximately 7.0 for the year ended December 31, 2014 to approximately 7.7 for the year ended December 31, 2015, primarily due to decrease of interest expense on bank

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loans. Our interest coverage ratio increased significantly from approximately 7.7 for the year ended December 31, 2015 to approximately 15.7 for the year ended December 31, 2016, primarily due to the decrease of interest expense on bank loans and amounts due to Capital Century. Our interest coverage ratio decreased from approximately 15.7 for the year ended December 31, 2016 to approximately 13.5 for the six months ended June 30, 2017, primarily due to the decrease in our profit before interest and tax. Such decrease was primarily due to the non-recurring listing expense.

Gearing ratio

Our gearing ratio decreased from approximately 20.3% for the year ended December 31, 2014 to approximately 17.1% for the year ended December 31, 2015, which was primarily due to the repayment of bank loans. Our gearing ratio decreased significantly from approximately 17.1% for the year ended December 31, 2015 to approximately 6.9% for the year ended December 31, 2016, primarily due to the decrease of amounts due to Capital Century. Our gearing ratio decreased from approximately 6.9% for the year ended December 31, 2016 to approximately 5.7% for the six months ended June 30, 2017, primarily due to the repayment of bank loans.

Current ratio

Our current ratio increased from approximately 0.95 for the year ended December 31, 2014 to approximately 1.04 for the year ended December 31, 2015, and further increased to approximately 1.56 for the year ended December 31, 2016, primarily due to the settlement of our amounts due to Capital Century. Our current ratio increased from approximately 1.56 for the year ended December 31, 2016 to approximately 1.66 for the six months ended June 30, 2017, primarily due to the repayment of bank loans.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Credit Risk

Our credit risk is primarily attributable to trade and other receivables. We do not have a general credit policy and the credit term we grant to our customers is based on a number of factors, including their reputation, scale, internal policy and the history and relationship with us. Our exposure to these credit risks is monitored on an ongoing basis. The management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are recorded for irrecoverable amounts. Normally, we do not obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate, and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2014, 2015 and 2016 and June 30, 2017, approximately 75%, 84%, 78% and 29% of trade and other receivables were due from our largest two, three, three and two customers, respectively.

We do not provide any other guarantees which would expose us to any credit risk.

Liquidity Risk

Our management aims to maintain sufficient cash and cash equivalents and have available funding through short-term and long-term bank loans and new ordinary shares to meet our commitments.

Our management reviews our liquidity position on an ongoing basis, including review of the expected cash inflows and outflows and maturity of bank loans in order to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or from other Group companies to meet our liquidity requirements in the short and longer term.

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The tables below show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date we can be required to pay.

	As of December 31, 2014					Carrying amount at December 31
	Contractual undiscounted cash flows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables	3,685	1,033	962	1,751	7,431	7,431
Amounts due to a related party						
— Capital Century	95,577	—	—	—	95,577	92,177
Bank loans — current	19,171	—	—	—	19,171	14,271
Bank loans — non-current	—	18,726	34,050	22,881	75,657	62,629
	<u>118,433</u>	<u>19,759</u>	<u>35,012</u>	<u>24,632</u>	<u>197,836</u>	<u>176,508</u>

	As of December 31, 2015					Carrying amount at December 31
	Contractual undiscounted cash flows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables	3,166	191	1,246	1,751	6,354	6,354
Amounts due to a related party						
— Capital Century	95,573	—	—	—	95,573	92,559
Bank loans — current	18,013	—	—	—	18,013	14,816
Bank loans — non-current	—	17,683	22,745	14,893	55,321	47,813
	<u>116,752</u>	<u>17,874</u>	<u>23,991</u>	<u>16,644</u>	<u>175,261</u>	<u>161,542</u>

	As of December 31, 2016					Carrying amount at December 31
	Contractual undiscounted cash flows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables	2,980	468	1,068	1,841	6,357	6,357
Bank loans — current	17,683	—	—	—	17,683	15,313
Bank loans — non-current	—	7,758	22,682	7,198	37,638	32,500
	<u>20,663</u>	<u>8,226</u>	<u>23,750</u>	<u>9,039</u>	<u>61,678</u>	<u>54,170</u>

	As of June 30, 2017					Carrying amount at June 30
	Contractual undiscounted cash flows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables	6,844	486	982	2,073	10,385	10,385
Bank loans — current	12,719	—	—	—	12,719	10,720
Bank loans — non-current	—	7,588	26,073	—	33,661	29,500
	<u>19,563</u>	<u>8,074</u>	<u>27,055</u>	<u>2,073</u>	<u>56,765</u>	<u>50,605</u>

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Interest rate risk

Our interest rate risk arises from cash and cash equivalents and interest-bearing borrowings. Cash at bank balances carried at prevailing market interest rate expose us to interest rate risk. However, our management consider the risk to be insignificant because the interest rates for cash at bank are not expected to change significantly.

Our interest-bearing borrowings are bank loans and amounts due to Capital Century at variable rates. Interest-bearing borrowings at variable rates expose us to interest rate risk. The table below details the effect on our profit after tax for each year of the Track Record Period and retained profits as at the end of each reporting period that an increase/ decrease of 100 basis points in interest rates would have.

	As of December 31,				As of June 30,			
	2014		2015		2016		2017	
	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Effect on:								
Profit after tax	(944)	944	(837)	837	(359)	359	(302)	302
Retained profits ...	(944)	944	(837)	837	(359)	359	(302)	302

We closely monitor the interest rate trends and their impact on our interest rate risk exposure. We currently have not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

DIVIDEND AND DISTRIBUTIVE RESERVES

During the Track Record Period, we did not declare or pay any dividend.

Currently, at the outset and early stage of our overseas expansion plans and initiatives, we do not have a fixed dividend policy and our Company does not have any predetermined dividend payout ratio. As of the Latest Practicable Date, our Group did not expect to declare any dividend in 2017 and 2018 as our Directors believe that at this stage, it is in the interests of our Company and its Shareholders to provide our Group with the greater flexibility to use and devote its proceeds, profits and resources in its overseas development efforts and to maximize the growth potential and investment value of our Company. From 2019 onwards and once our Company's overseas business has been established and stabilized, we will consider declaring dividends and/or adopting a fixed dividend policy that is consistent with our business profile.

The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. In addition, our controlling shareholders will be able to influence the approval by our Shareholders in a general meeting for any payment of dividends. Any declaration, payment as well as the amount of dividends will be subject to the Articles and the Companies Law. Our Shareholders in general meeting may approve and make any declaration of dividends in any currency, but no dividend shall exceed the amount recommended by our Board. Dividends may be paid out of our Company's distributable profits as permitted under the relevant laws.

As of June 30, 2017, our Company did not have distributable reserve.

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RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth under Note 24 to the Accountants' Report set out in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favorable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

DISCLOSURE REQUIREMENTS UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

We incur listing expenses in connection with the Listing, which include professional fees, underwriting commission and other fees and expenses. Total expenses in relation to the Listing are estimated to be approximately RMB35.8 million (assuming an Offer Price of HK\$1.39 per Offer Share, being the mid-point of the Offer Price range of HK\$1.30 to HK\$1.49 and assuming the Over-allotment Option is not exercised). Approximately RMB3.0 million and RMB7.2 million of the listing expenses were charged to our profit and loss account for the year ended December 31, 2016 and the six months ended June 30, 2017, respectively, and RMB5.9 million is expected to be charged to profit and loss account for the six months ending December 31, 2017. The remaining part is expected to be incurred for the year ending December 31, 2018, of which approximately RMB7.1 million is expected to be charged to profit and loss account and RMB12.6 million is expected to be accounted for as a deduction from equity. Our Directors are of the view that the one-off listing expenses will have a material adverse effect on the financial results of our Group for the year ending December 31, 2017 and 2018. However, such listing expenses are non-recurring and an estimate for reference only, which will be recognized in our consolidated statements of profit or loss for the years ending December 31, 2017 and 2018. The actual amount may differ from the estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since June 30, 2017 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects and no event had occurred that would materially and adversely affect the financial information in Accountants' Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purposes only, the following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is prepared to show the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to equity Shareholders of our Company as of June 30, 2017 and is based on the audited consolidated net assets derived from the audited financial information of our Group as of June 30, 2017 as included in the Accountants' Report as set out in Appendix I to the Prospectus.

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The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of June 30, 2017 or at any future date.

	Consolidated net tangible assets attributable to the equity Shareholders of our Company as of June 30, 2017 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidate net tangible assets attributable to equity Shareholders of our Company ⁽³⁾⁽⁴⁾	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB ⁽⁵⁾	(HK\$ equivalent) ⁽⁶⁾
Based on an Offer Price of HK\$1.30 per Share	704,865	96,242	801,107	1.81	2.14
Based on an Offer Price of HK\$1.49 per Share	704,865	113,180	818,045	1.85	2.19

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of our Company as of June 30, 2017 have been calculated based on the audited consolidated total equity attributable to equity Shareholders of our Company as of June 30, 2017 of RMB704,865,000 extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 110,400,000 Shares to be issued at the estimated offer prices of HK\$1.30 per Share (being the low-end of the Offer Price) and HK\$1.49 per Share (being the high-end of the Offer Price), after deduction of the estimated underwriting fees and other estimated related expenses payable by us and take no account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (3) Our property interests as of June 30, 2017 include (a) investment properties and (b) properties held for sale. They have been valued by an independent firm of surveyors in Hong Kong, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Details of the valuation in respect of these property interests were set out in Appendix III to this prospectus. Investment properties are accounted for at fair value in accordance with our Company's accounting policies. Properties held for sale is accounted for at the lower of cost and the net realizable value in accordance with our Company's accounting policies. Accordingly, the revaluation surplus of these property interests, other than investment properties, was not incorporated in our consolidated financial information as of June 30, 2017, and the revaluation surplus of investment properties would not lead to additional depreciation be charged to the consolidated statements of profit and loss.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity Shareholders of our Company to reflect our any trading results or other transactions entered into subsequent to June 30, 2017.
- (5) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 441,400,000 Shares in issue immediately following the completion of the proposed Share Subdivision and the Global Offering assuming that the proposed Share Subdivision and the Global Offering have been completed on June 30, 2017 but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (6) For illustrative purpose, the estimated net proceeds from the Global Offering are converted from the Hong Kong dollar into Renminbi at the exchange rate of HK\$1.00 to RMB0.84559, the exchange rate set by PBOC prevailing on December 19, 2017. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates.

FINANCIAL INFORMATION

PROPERTY INTERESTS AND PROPERTY VALUATION

The table below sets forth the reconciliation between the net book value of our investment properties as of June 30, 2017 as extracted from our Accountants' Report as included in the Appendix I to this prospectus and the Property Valuation Report as included in Appendix III to this prospectus respectively as of October 31, 2017:

	RMB'000
Net Book value of our properties as of June 30, 2017	
Investment properties	864,300
Add: Increase during the period from July 1, 2017 to October 31, 2017	315
Net valuation surplus	<u>2,185</u>
Valuation of properties as of October 31, 2017 as set out in the Property Valuation Report in Appendix III to this prospectus	<u><u>866,800</u></u>

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

For a detailed description of our future plans, see “Business — Our Strategies”.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$111.6 million, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by our Company and assuming an initial public Offer Price of HK\$1.39 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 these proceeds from the Global Offering for the following purposes:

- (a) approximately 80%, or approximately HK\$89.2 million, is expected to be used in expanding the property portfolio of our Group through acquisition of properties in major cities of the U.K. (the “**Expansion Plan**”);
- (b) approximately 10%, or approximately HK\$11.2 million, is expected to be used in upgrading the building facilities and/or renovating the properties of our Group (the “**Renovation Plan**”); and
- (c) the remaining 10% or approximately HK\$11.2 million, will be used for our general corporate and working capital purposes.

Expansion Plan

We plan to invest in overseas commercial properties through acquisitions of completed properties which provide potential attractive yields and net asset growth in major cities of the U.K.. We choose the U.K. as our primary overseas investment destination mainly due to (i) the high level of transparency and liquidity in its real estate market, which is associated with strengthened investors’ confidence level and high level of foreign real estate activities; (ii) its sound legal system; (iii) its strong and solid economic fundamentals, which have made the U.K. one of the most popular destinations for real estate investments; (iv) the depreciation of the British sterling, which presents attractive opportunities to foreign investors; (v) the relatively low tax rate as compared to other investment destinations, such as the U.S.. We focus on major cities in the U.K., particularly London, which we believe that as financial and political center of the U.K., it provides a stable and favorable rate of return on investment properties, especially commercial buildings and offices. In addition, the uncertainty brought by the Brexit negotiation, the U.K. real estate market (including London) may present overseas investors with opportunities of distressed and undervalued properties. As such, we plan to expand our property portfolio by acquiring certain properties such as commercial buildings and offices in London.

We have established a team, led by our executive Director, chairman and chief executive officer, Mr. Liu Jia, specializing in identifying and evaluating potential target properties in the U.K.. In late 2016, we conducted our market research in London real estate market and visited several commercial properties in the area as part of our market research to understand the local economy, market condition, return on properties, and regulatory and investment environment. Based on our market research, we decided to narrow our search in the City of London⁽¹⁾, where the commercial buildings and offices have a relatively higher rate of returns but lower price as compared to that of the similar properties in some other areas of London such as West End⁽²⁾. Although we have visited several potential targets as part of our research, we have not yet identified any potential target which fits our

- (1) Covers the area of Clerkenwell, Shoreditch, Northern, Midtown, Southern, Eastern, Western, Aldgate in London, the U.K. according to JLL.
- (2) Covers area of Hammersmith, Kensington Chelsea, Paddington, Marylebone, Euston, Camden, King’s Cross, North of Oxford Street, Fitzrovia, Bloomsbury, Mayfair, Soho, St James’s, Covent Garden, Belgravia-Knightsbridge, Victoria, Waterloo, Vauxhall, Battersea in London, the U.K. according to JLL.

FUTURE PLANS AND USE OF PROCEEDS

property selection criteria or development strategies. We are currently continuing our research in the area for suitable target properties. We plan to take a market-driven but cautious approach in assessing potential investments or acquisition targets. See “Business — Property Selection and Acquisition” for our criteria in selection of targets and procedures for our investments and acquisitions. For selection of suitable target properties, we plan to engage professional advisors, including property valuers, accountants and legal advisors with relevant expertise to conduct thorough investigation of the target properties, and if necessary, expand our team to evaluate the overseas investment. After the acquisitions, we plan to engage local property manager, which is a third party professional firm, to manage the properties.

While we had not identified any target property as of the Latest Practicable Date, we set out below a description of our potential target properties in London and expectations of our Expansion Plan:

Target city	London
District(s)	the City of London ⁽¹⁾
Property type	Commercial buildings and offices, preferably with existing leases
Price range	HK\$300 million to HK\$400 million
Age	50 years or less
Target tenants	Long-term tenants, such as financial institutions
Target breakeven period ⁽²⁾	Approximately 2 years
Target yield	Approximately 4% - 5%
Timeline	Our Company will continue to search for potential target properties in 2018 and our Company aims to complete the acquisition by the end of 2018

Notes:

- (1) Covers the area of Clerkenwell, Shoreditch, Northern, Midtown, Southern, Eastern, Western, Aldgate in London, the U.K. according to JLL.
- (2) Target breakeven period represents the number of years that is expected to take for the rental income generated from the property to fully cover the total expenses incurred for the property on accounting basis.

Based on the market information available to our Directors, there are commercial properties and offices with net internal size area between 30,000 to 62,000 sq.ft. with a market price of around £40 million which meet our expectations and budget. Our Directors intend to acquire one commercial building and we will utilize our internal resources to cover excess amounts to be paid as a result of currency fluctuation. We have been advised by our PRC Legal Advisor that as we, being an overseas incorporated enterprise, intend to invest in overseas properties by utilizing overseas funds which will neither be provided nor guaranteed by our PRC subsidiaries or other PRC entities, our investment in or disposal of the properties in the U.K. is not subject to the restrictions under the PRC foreign exchange laws or regulations. After discussing with our legal advisor in the U.K., we understand that in the U.K., generally there are no restrictions on foreign ownership and investment in properties sectors, nor exchange control or currency regulations or restrictions on the remittance of profits abroad. Before the acquisition is made, we intend to deposit the net proceeds of the Global Offering for the purpose of Expansion Plan in interest-bearing accounts with licensed commercial banks in Hong Kong.

Renovation Plan

We plan to upgrade the building exterior and the facilities of Everbright International Mansion and Everbright Financial Center (including upgrading cargo lifts, passenger lifts, waterproof installations and fire protection systems) so that we can maintain their competitiveness in the market, maintain and further improve their occupancy rates and increase their average rent. We have recently commenced its Renovation Plan and expects to complete it by the end of 2019.

FUTURE PLANS AND USE OF PROCEEDS

We will adjust our allocation of the net proceeds for the above purposes on a pro rata basis should the amount of the proceeds differ from the estimated amount, assuming that the Over-allotment Option is not exercised. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is not exercised, our net proceeds will increase by approximately HK\$10.5 million. In the event that the Offer Price is set at the low-end of the proposed Offer Price range and the Over-allotment Option is not exercised, our net proceeds will decrease by approximately HK\$9.5 million.

Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering derived from unused capital are not immediately applied for the above purposes, we intend to deposit the proceeds in interest-bearing bank accounts with licensed commercial banks in Hong Kong.

UNDERWRITING

HONG KONG UNDERWRITERS

China Everbright Securities (HK) Limited
ABCI Securities Company Limited
CLC Securities Limited

UNDERWRITING AGREEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, and not jointly, to apply to purchase or procure applications to purchase the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been entered into and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice in writing from the Joint Global Coordinators, for themselves and on behalf of the Hong Kong Underwriters, if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur or come into force:
 - (i) any new law or regulation or any change or development involving a prospective change or any event or circumstance likely to result in a change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the British Virgin Islands, the Cayman Islands or the U.K. (each a “**Relevant Jurisdiction**”); or
 - (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or credit or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and interbank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or a change of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

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- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq Global Market, the Shanghai Stock Exchange the Shenzhen Stock Exchange; or
- (iv) any local, national, regional or international event or series of events in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, outbreak of diseases, epidemics or pandemics including, but not limited to, SARS, swine or avian flu, H5N1, H5N6, H1N1, H1N7, H7N9 and such related/mutated forms) in or directly or indirectly affecting any Relevant Jurisdiction; or
- (v) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (vi) any imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (vii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority), New York (imposed at Federal or New York State level or other competent Governmental Authority), the U.K., the PRC or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (viii) any change or development occurs involving a prospective change in taxation or in exchange control in any Relevant Jurisdiction to which any member of our Group is subject; or
- (ix) the issue or requirement to issue by our Company of a supplemental or amendment to this prospectus, Application Forms or other documents in connection with the offer of the Shares pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
- (x) any change or development involving a prospective change which has the effect of the materialization of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or
- (xii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization 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 organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or Director; or

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- (xiii) any of the chairman or president vacating his office, any Director being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director in his capacity as such or an announcement by any governmental, political, regulatory body that it intends to take any such action; or
- (xiv) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group; or
- (xv) any breach of any of the representations, warranties, undertakings, provisions or obligations of our Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (xvi) any order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xvii) a prohibition on our Company for whatever reason from allotting or selling the Shares (including Shares issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering

and any such event, which, individually, or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (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 Offering or the level of interest under the International Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our 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; or

- (b) there comes to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):
 - (i) any statement contained in this prospectus and the Application Forms issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading in any material respect or any forecasts, estimate, expressions of opinion, intention or expectation expressed in this prospectus and the Application Forms so issued are in any material respect not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole;
 - (ii) any contravention by any member of our Group or any Director of any law in any material respect; or
 - (iii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

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- (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
- (v) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this 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 this prospectus; or
- (vi) any event, act or omission which gives or is likely to give rise to any liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement; or
- (vii) any material adverse change or prospective material adverse change or development involving a prospective material adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position condition (financial or otherwise) or prospects of our Company and its subsidiaries, as a whole; or
- (viii) the approval of the Listing Committee of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued or sold under the Global Offering is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ix) our Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering,

then the Joint Global Coordinators may (for themselves and on behalf of Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or any issue of shares or securities in circumstances prescribed by Rule 10.08 of the Listing Rules, we will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by our controlling shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our controlling shareholders has undertaken to us and the Hong Kong Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of the shareholding of our controlling shareholders is made in this prospectus and ending on the date which is six months from the Listing Date ("**First Six-month Period**"), dispose of, or enter into any agreement to dispose

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of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (“**Parent Shares**”); or

- (b) during the period of six months commencing on the date on which the First Six-month Period expires (“**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and the Hong Kong Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he/it will:

- (a) if he/it pledges or charges any of the securities beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters, if any, by any of our controlling shareholders and disclose such matters by way of an announcement in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by us

Pursuant to the Hong Kong Underwriting Agreement, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six Month Period**”), our Company undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Hong Kong Underwriters not to, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the 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 our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); 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 our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

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- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in Clause (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the six months after the end of the First Six Month Period (the “**Second Six Month Period**”), our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Company, the Covenantors and the executive Directors undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Hong Kong Underwriters to procure the Company to comply with the undertakings in “Undertakings pursuant to the Hong Kong Underwriting Agreement — Undertakings by us” in this section.

Undertakings by Top Charm, Lucky Link and Capital Century (the “Covenantors”)

Pursuant to the Hong Kong Underwriting Agreement, each of Top Charm, Lucky Link and Capital Century (collectively the “**Covenantors**”) jointly and severally undertakes to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Hong Kong Underwriters that, save for any lending of Shares by Lucky Link pursuant to the Stock Borrowing Agreement, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Covenantors will, and will procure that none of its close associates will:

- (a) during the First Six Month Period, (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 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, as applicable) (the foregoing restriction is expressly agreed to include the Covenantors from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Covenantors, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), 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 specified in (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (a) (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (a) (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

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- (b) during the Second Six Month Period, enter into any of the transactions specified in (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he or it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him or it and/or any of his or its close associate which owns such Shares or interests as aforesaid; and
- (c) until the expiry of the Second Six Month Period, in the event that he or it enters into any of the transactions specified in (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company,

provided nothing above shall prevent any of the Covenantors from using securities of our Company beneficially owned by him or it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bonafide commercial loan.

Indemnity

We, the executive Directors and the Covenantors have agreed to indemnify the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, subject to the terms of the Hong Kong Underwriting Agreement.

The International Placing

In connection with the International Placing, it is expected that we and our Executive Directors will enter into the International Underwriting Agreement with, among others, the Joint Global Coordinators, the International Underwriters and the Joint Sponsors. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally, and not jointly, agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) at any time from the date of the International Underwriting Agreement until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to offer up to an aggregate of 16,560,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Placing, if any.

Under the International Underwriting Agreement, we and our controlling shareholders will agree to indemnify the International Underwriters and the Joint Sponsors against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the International Underwriters, subject to the terms of the International Underwriting Agreement.

Underwriting commission and expenses

The Hong Kong Underwriters will receive a commission of 3.5% of the aggregate Offer Price of our Hong Kong Offer Shares underwritten by the Hong Kong Underwriters. The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed between the Joint Global

UNDERWRITING

Coordinators and the Hong Kong Underwriters. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, we may pay to the Joint Global Coordinators (for their account only) a discretionary incentive fee of up to 1.0% of the Offer Price multiplied by the total amount of Offer Shares (subject to Over-allotment Option).

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$1.39 per Share (being the mid-point of the indicative Offer Price range of HK\$1.30 to HK\$1.49 per Share), the aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the listing of the existing Shares and the Global Offering to be borne by us are estimated to amount to approximately HK\$41.9 million in aggregate (assuming an Offer Price of HK\$1.39, being the mid-point of the indicative range of the Offer Price of HK\$1.30 to HK\$1.49).

Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Hong Kong Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE JOINT SPONSORS

China Everbright Capital Limited is a connected person of our Company under the Listing Rules. It is not an independent sponsor according to the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ABCI Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

Set out below is a variety of activities that the underwriters of the Hong Kong Public Offering and the International Placing, together referred to as “**Syndicate Members**”, may each individually undertake, and which do not form part of the underwriting or the stabilizing process. It should be noted that, when engaging in any of these activities, the Syndicate Members are subject to restrictions, including the following:–

- (a) under the agreement among the Syndicate Members, none of the Underwriters (except for each of the Joint Global Coordinators, its affiliate(s) or any person(s) acting for it for the purpose of taking any stabilizing action) will, and each of the Underwriters will procure that none of its respective affiliates and agents will, in connection with the distribution of the Offer Shares, effect, cause or authorize any other person to effect any transactions including but not limited to issuing options or derivatives on the underlying Shares (whether in the open market or otherwise and whether in Hong Kong or elsewhere) with a view to stabilizing or maintaining the market price of any of the Shares at a level higher than that which might otherwise prevail in the open market or any action which is designed to or which constitutes or which might be expected to, cause or result in the stabilization or manipulation, in violation of applicable laws, of the price of any security of our Company; and

UNDERWRITING

- (b) none of the Underwriters (other than each of the Joint Global Coordinators or its affiliate(s) or any other person(s) acting for it for the purpose of taking any stabilizing action), will, during the period which begins on the commencement of trading of the Shares on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, issue any warrant, option or derivative on the underlying Shares (whether in the open market or otherwise), except with the prior written consent of the Joint Global Coordinators.

The Syndicate Members and their affiliates are diversified financial institutions and may have relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares and entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in “Structure and Conditions of the Global Offering”. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. China Everbright Capital Limited and ABCI Capital Limited are the Joint Sponsors for the listing of the Shares on the Hong Kong Stock Exchange and China Everbright Securities (HK) Limited and ABCI Capital Limited are the Joint Global Coordinators of the Global Offering. China Everbright Securities (HK) Limited, ABCI Capital Limited and CLC Securities Limited are the Joint Bookrunners. China Everbright Securities (HK) Limited, ABCI Securities Company Limited and CLC Securities Limited are the Joint Lead Managers.

The Global Offering initially consists of:—

- (a) the Hong Kong Public Offering of 11,040,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in “— Hong Kong Public Offering” below; and
- (b) the International Placing of 99,360,000 Offer Shares by our Company (subject to adjustment and the exercise of the Over-allotment Option as mentioned below).

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors, who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. 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 Placing will involve selective marketing of Offer Shares to professional, institutional and private investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing respectively may be subject to adjustment and, in the case of the International Placing only, the Over-allotment Option as set out in “— International Placing — Over-allotment Option” below.

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 our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarized in “Underwriting”.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:—

- (a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Hong Kong Stock Exchange;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (b) the Offer Price having been fixed on or around the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements in each case on or before the dates and times specified in the Underwriting Agreements (unless 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.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Monday, January 8, 2018 and in any event, not later than Friday, January 12, 2018.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Friday, January 12, 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and Tai Kung Pao (in Chinese) and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.ebgca.com.hk on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Monday, January 15, 2018 but will only become valid certificates of title at 9:00 a.m. on Tuesday, January 16, 2018 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination” has not been exercised. Investors who trade the Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 11,040,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

number of the Hong Kong Offer Shares will represent 2.5% of our Company's issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which may be granted under the Post-IPO Share Option Scheme.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “— Conditions of the Global Offering” in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total available Shares under the Hong Kong Public Offering (after taking into account any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B with any odd board lots being allocated to pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in pool A and pool B will be 5,520,000 and 5,520,000 respectively. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the 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. For the purpose of this section only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer 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 Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 33,120,000 Offer Shares (in the case of (i) above), 44,160,000 Offer Shares (in the case of (ii) above) and 55,200,000 Offer Shares (in the case of (iii) above) representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option) in each case, the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate. In addition, in certain prescribed circumstances, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate International Placing Shares as they deem appropriate from the International Placing to the Hong Kong Public Offering to satisfy in whole or in part the excess valid application in the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed for, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as the Joint Global Coordinators deem appropriate.

Applications

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

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 Placing, 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 (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.49 per Offer Share in addition to any brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph “— Price Determination of the Global Offering” below in this section, is less than the maximum price of HK\$1.49 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and the 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 in “How to Apply for the Hong Kong Offer Shares” in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 99,360,000 Shares (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which may be granted under the Post-IPO Share Option Scheme.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The International Placing is subject to the same conditions as stated in “— Conditions of the Global Offering” in this section.

Allocation

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) that exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 16,560,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, among other things, over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.62% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Post-IPO Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Monday, January 8, 2018, and in any event not later than Friday, January 12, 2018, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK\$1.49 per Share and is expected to be not less than HK\$1.30 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators, for themselves and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and Tai Kung Pao (in Chinese), and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.ebgca.com.hk notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Monday, January 15, 2018 in the manner set out in “How to Apply for the Hong Kong Offer Shares — Publication of Results”.

STABILIZATION ACTION

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 new 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, activities aimed at reducing the market price are 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, 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 any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchase of the Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the sole and 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 on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 16,560,000 Shares in aggregate, which is 15% of the Shares initially available under the Global Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our 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 our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above. The Stabilizing Manager, its affiliates or any person acting for it, may take all or any of the above stabilizing action in Hong Kong during the stabilization period.

Specifically, prospective applicants for and investors in the Shares should note that:–

- (a) the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilizing Manager, its affiliates or any other person acting for it, may have an adverse impact on the market price of the Shares;
- (b) stabilizing action cannot be used to support the price of the 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 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 Shares, and therefore the price of the Shares, could fall;
- (c) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by taking of any stabilizing action; and
- (d) 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 Shares.

Our Company will ensure or 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 16,560,000 additional Shares and cover such over allocations by exercising the Over-allotment Option, which will be exercisable by the Stabilizing Manager (on behalf of the International Underwriters) at its sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the International Placing, China Everbright Securities (HK) Limited as the Stabilizing Manager or any person acting for it may choose to borrow Shares from Lucky Link under the Stock Borrowing Agreement, or acquire Shares from other sources. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- (i) such stock borrowing arrangement with Lucky Link will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (ii) the maximum number of Shares borrowed from Lucky Link under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Lucky Link or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised or (b) the day on which the Over-allotment Option is exercised in full;
- (iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- (v) no payment will be made to Lucky Link by the Stabilizing Manager or any persons acting for it in relation to such stock borrowing arrangement.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, January 16, 2018, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, January 16, 2018, and will be traded in board lots of 2,000. The stock code of the Shares is 3699.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:–

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via the **HK eIPO White Form** Service Provider at www.hkeipo.hk; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **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.

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:

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a U.S. person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **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:

- (a) an existing beneficial owner of shares in our Company and/or any of our subsidiaries;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (b) a director or chief executive of our Company and/or any of our subsidiaries;
- (c) a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- (d) a close associate (as defined in the Listing Rules) of any of the above; or
- (e) have been allocated or have applied for any International Placing Shares or have otherwise participated in the International Placing.

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 copy of this prospectus during normal business hours from 9:00 a.m. on Friday, December 29, 2017 until 12:00 noon on Monday, January 8, 2018 from:—

- (a) the following offices of the Underwriters:

China Everbright Securities (HK) Limited	24/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
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ABCI Securities Company Limited	11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
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CLC Securities Limited	13/F, Nan Fung Tower 88 Connaught Road Central Hong Kong
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- (b) any of the branches of the receiving bank.

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, December 29, 2017 until 12:00 noon on Monday, January 8, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — EVERBRIGHT GRAND CHINA ASSETS PUBLIC OFFER" for the payment, should be deposited in the

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:—

Friday, December 29, 2017	—	9:00 a.m. to 5:00 p.m.
Saturday, December 30, 2017	—	9:00 a.m. to 1:00 p.m.
Tuesday, January 2, 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, January 3, 2018	—	9:00 a.m. to 5:00 p.m.
Thursday, January 4, 2018	—	9:00 a.m. to 5:00 p.m.
Friday, January 5, 2018	—	9:00 a.m. to 5:00 p.m.
Saturday, January 6, 2018	—	9:00 a.m. to 1:00 p.m.
Monday, January 8, 2018	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on January 8, 2018, the last application day or such later time as described in “— Effect of Bad Weather on the Opening of the Application Lists” in this section.

TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** Service Provider, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agent of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by our Memorandum and Articles;
- (b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Memorandum and Articles;
- (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 our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (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 Placing nor participated in the International Placing;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (h) agree to disclose to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Branch Share Registrar, the receiving bank, and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (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 our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application 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 of such Shares allocated to you under the application;
- (o) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or 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 are eligible to collect the 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 our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (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 an agent.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

APPLYING THROUGH HK eIPO White Form

General

Individuals who meet the criteria set out in “— Who Can Apply” in this section may apply through the **HK eIPO White Form** Service Provider for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** Service Provider are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **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 the **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 Friday, December 29, 2017 until 11:30 a.m. on Monday, January 8, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, January 8, 2018 or such later time in “—Effects of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** Service Provider 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 the **HK eIPO White Form** Service Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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, of which the address is at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong, and complete an input request form. You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Branch 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:–
 - (i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number of such Shares allocated;
 - (iii) 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 Placing;
 - (iv) (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (v) (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 an agent;
 - (vi) confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - (vii) authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (ix) 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;
- (x) agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (xi) agree to disclose your personal data to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Branch Share Registrar, receiving bank and/or their respective advisors and agents;
- (xii) 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;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- (xv) 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;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Memorandum and Articles; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (i) 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;
- (ii) instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- (iii) 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:

Friday, December 29, 2017	—	9:00 a.m. to 8:30 p.m. <i>(Note)</i>
Saturday, December 30, 2017	—	8:00 a.m. to 1:00 p.m. <i>(Note)</i>
Tuesday, January 2, 2018	—	8:00 a.m. to 8:30 p.m. <i>(Note)</i>
Wednesday, January 3, 2018	—	8:00 a.m. to 8:30 p.m. <i>(Note)</i>
Thursday, January 4, 2018	—	8:00 a.m. to 8:30 p.m. <i>(Note)</i>
Friday, January 5, 2018	—	8:00 a.m. to 8:30 p.m. <i>(Note)</i>
Monday, January 8, 2018	—	8:00 a.m. <i>(Note)</i> to 12 noon

Note:

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 Friday, December 29, 2017 until 12:00 noon on Monday, January 8, 2018 (24 hours daily, except on December 30, 2017, January 6, 2018 and on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, January 8, 2018, the last application day or such later time as described in “— Effect of Bad Weather on the Opening of the Application Lists” below in this section.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section in the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** 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. Our Company, our Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Center to complete an input request form for electronic application instructions before 12:00 noon on Monday, January 8, 2018.

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:

- (i) an account number; or
- (ii) some other identification code,

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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:

- (i) the principal business of that company is dealing in securities; and
- (ii) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“*Unlisted company*” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“*Statutory control*” means you:

- (a) control the composition of the board of directors of the company;
- (b) control more than half of the voting power of the company; or
- (c) 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).

HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** or **YELLOW** Application Forms have tables showing the exact amount payable for our Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for our Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** Service Provider 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 the SFC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Global Offering — Price Determination of the Global Offering”.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning signal,

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, January 8, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, January 8, 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing and the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, January 15, 2018 in the South China Morning Post (in English) and Tai Kung Pao (in Chinese) on our Company’s website at www.ebgca.com.hk and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our Company’s website at www.ebgca.com.hk and the Hong Kong Stock Exchange’s website at www.hkexnews.hk by no later than Monday, January 15, 2018;
- (b) 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, January 15, 2018 to 12:00 midnight on Friday, January 19, 2018;
- (c) by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, January 15, 2018 to Thursday, January 18, 2018 (excluding Saturday, Sunday and public holiday); and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Monday, January 15, 2018 to Wednesday, January 17, 2018 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. See “Structure and Conditions of the Global Offering” for details.

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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:–

(a) 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 our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedures 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.

(b) If our Company or our agents exercise our discretion to reject your application:

Our Company, the Joint Global Coordinators, 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.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) 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 Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- your electronic application instructions through **the HK eIPO White Form** Service Provider 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;
- our Company or the Joint Global Coordinators believe that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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\$1.49 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the conditions set out in "Structure and Conditions 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 Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, January 15, 2018.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described).

No temporary document of title will be issued in respect of our 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:

- (a) Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW Application Forms**, Share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque(s), if any. Your banker may require verification of your Hong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheque(s) and Share certificates are expected to be posted on or around Monday, January 15, 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. Tuesday, January 16, 2018 provided that the Global Offering has become unconditional and the right of termination described in the section "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, January 15, 2018 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 Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Monday, January 15, 2018, by ordinary post and at your own risk.

(b) 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, January 15, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, January 15, 2018, or in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(i) *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.

(ii) *If you are applying as a CCASS Investor Participant*

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph "— Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Monday, January 15, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) *If you apply through the HK eIPO White Form Service Provider*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch 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, January 15, 2018, or such other date as notified by our Company in the newspapers at the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, January 15, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-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.

(d) *If you apply via electronic application instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- (i) If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, January 15, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (ii) Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph “— Publication of Results” in this section on Monday, January 15, 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before Monday, January 15, 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- (iii) 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.
- (iv) 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, January 15, 2018. Immediately following the credit of the Hong Kong Offer.
- (v) 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.
- (vi) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, January 15, 2018.

ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on page I-1 to I-53, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EVERBRIGHT GRAND CHINA ASSETS LIMITED, CHINA EVERBRIGHT CAPITAL LIMITED AND ABCI CAPITAL LIMITED

Instruction

We report on the historical financial information of Everbright Grand China Assets Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-53, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2014, 2015, 2016 and June 30, 2017 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-53 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 29, 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2014, 2015, 2016 and June 30, 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statements for the six months ended June 30, 2016 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

No dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

December 29, 2017

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated financial information of the Group

Consolidated statements of profit or loss

	Note	Year ended December 31,			Six months ended June 30,	
		2014 RMB'000	2015 RMB'000	2016 RMB'000	2016 RMB'000 (Unaudited)	2017 RMB'000
Revenue	5	57,119	59,386	55,936	27,508	32,701
Cost of sales		(12,607)	(13,277)	(13,909)	(7,525)	(8,553)
Gross profit		44,512	46,109	42,027	19,983	24,148
Valuation gains on investment properties	13	35,898	18,801	22,673	13,989	6,718
Other net income	6(a)	1,275	1,184	289	606	9
Distribution costs		(571)	(639)	(523)	(419)	(384)
Administrative expenses		(11,080)	(10,542)	(15,305)	(6,242)	(14,487)
Other operating expenses	6(b)	(6,154)	(11)	(80)	(72)	(13)
Profit from operations		63,880	54,902	49,081	27,845	15,991
Finance costs	7(a)	(9,127)	(7,103)	(3,123)	(1,699)	(1,186)
Profit before taxation	7	54,753	47,799	45,958	26,146	14,805
Income tax	8(a)	(15,082)	(13,494)	(14,444)	(7,781)	(5,639)
Profit for the year/period		<u>39,671</u>	<u>34,305</u>	<u>31,514</u>	<u>18,365</u>	<u>9,166</u>
Attributable to:						
Equity shareholder of the Company		31,427	34,305	31,514	18,365	9,166
Non-controlling interests		8,244	—	—	—	—
Profit for the year/period		<u>39,671</u>	<u>34,305</u>	<u>31,514</u>	<u>18,365</u>	<u>9,166</u>
Earnings per share*	11					
Basic and diluted (RMB)		0.95	1.04	0.95	0.55	0.28

* The calculation of earnings per share has not taken into account the proposed Share Subdivision pursuant to the shareholders' resolution passed on December 15, 2017 whereby each of the existing issued and unissued ordinary shares with a par value of US\$1.00 each in the share capital of the Company will be subdivided into 10 ordinary shares with a par value of US\$0.10 each. The proposed Share Subdivision has not become effective as of the date of this report and will only take place immediately prior to the completion of the Global Offering, details of which are set out in the section headed "History, Reorganization and Group Structure" included in the Prospectus. See note 21(b) for more information on the Share Subdivision.

Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended December 31,			Six months ended June 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year/period		39,671	34,305	31,514	18,365	9,166
Other comprehensive income for the year/period						
<i>Item that may be reclassified subsequently to profit or loss:</i>						
- Exchange differences on translation of financial statements of companies outside the People's Republic of China (the "PRC")		65	413	436	(98)	(188)
Total comprehensive income for the year/period		<u>39,736</u>	<u>34,718</u>	<u>31,950</u>	<u>18,267</u>	<u>8,978</u>
Attributable to:						
Equity shareholder of the Company		31,492	34,718	31,950	18,267	8,978
Non-controlling interests		8,244	—	—	—	—
Total comprehensive income for the year/period		<u>39,736</u>	<u>34,718</u>	<u>31,950</u>	<u>18,267</u>	<u>8,978</u>

Consolidated statements of financial position

	Note	As at December 31,			As at June 30,
		2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Non-current assets					
Investment properties	13	815,290	834,211	857,113	864,300
Property, plant and equipment	12	3,802	3,697	3,813	3,604
Deferred tax assets	20(b)(ii)	2,966	1,876	1,254	1,528
		<u>822,058</u>	<u>839,784</u>	<u>862,180</u>	<u>869,432</u>
Current assets					
Properties held for sale		5,536	5,536	5,536	4,364
Trade and other receivables	15	4,991	3,944	3,342	9,519
Amounts due from a related party	24(d)	54,116	84,889	2,065	—
Cash and cash equivalents	16(a)	54,465	36,640	42,693	40,432
		<u>119,108</u>	<u>131,009</u>	<u>53,636</u>	<u>54,315</u>
Current liabilities					
Trade and other payables	17	7,431	6,354	6,357	10,385
Receipts-in-advance	18	5,347	8,084	8,364	10,525
Amounts due to a related party	24(d)	92,177	92,559	—	—
Bank loans	19	14,271	14,816	15,313	10,720
Current taxation	20(a)	6,114	4,388	4,404	1,026
		<u>125,340</u>	<u>126,201</u>	<u>34,438</u>	<u>32,656</u>
Net current (liabilities)/assets		<u>(6,232)</u>	<u>4,808</u>	<u>19,198</u>	<u>21,659</u>
Total assets less current liabilities		<u>815,826</u>	<u>844,592</u>	<u>881,378</u>	<u>891,091</u>
Non-current liabilities					
Bank loans	19	62,629	47,813	32,500	29,500
Deferred tax liabilities	20(b)(ii)	134,289	143,153	152,991	156,726
		<u>196,918</u>	<u>190,966</u>	<u>185,491</u>	<u>186,226</u>
NET ASSETS		<u>618,908</u>	<u>653,626</u>	<u>695,887</u>	<u>704,865</u>
CAPITAL AND RESERVES					
Share capital	21(b)	273,975	273,975	273,975	273,975
Reserves	21(c)	344,933	379,651	421,912	430,890
TOTAL EQUITY		<u>618,908</u>	<u>653,626</u>	<u>695,887</u>	<u>704,865</u>

Statement of financial position of the Company

	Note	As at December 31,			As at June 30,
		2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Non-current assets					
Interests in subsidiaries	14	104,659	109,058	117,574	117,020
Current assets					
Amounts due from a related party	24(d)	186	183	2,065	—
Amounts due from subsidiaries	24(d)	107,500	108,418	193,625	194,671
Cash and cash equivalents		—	—	6,909	7,109
Other receivables	15	—	—	—	2,255
		<u>107,686</u>	<u>108,601</u>	<u>202,599</u>	<u>204,035</u>
Current liabilities					
Amounts due to a related party	24(d)	4,303	7,706	—	—
Amounts due to subsidiaries	24(d)	265	277	91,920	92,134
Other payables		—	—	—	2,514
		<u>4,568</u>	<u>7,983</u>	<u>91,920</u>	<u>94,648</u>
Net current assets		<u>103,118</u>	<u>100,618</u>	<u>110,679</u>	<u>109,387</u>
Total assets less current liabilities and net assets		<u>207,777</u>	<u>209,676</u>	<u>228,253</u>	<u>226,407</u>
CAPITAL AND RESERVES					
Share capital	21(b)	273,975	273,975	273,975	273,975
Reserves		(66,198)	(64,299)	(45,722)	(47,568)
TOTAL EQUITY		<u>207,777</u>	<u>209,676</u>	<u>228,253</u>	<u>226,407</u>

Consolidated statements of changes in equity

	Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
		Share capital	Capital reserves	PRC statutory reserves	Exchange reserves	Retained profits	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2014:		273,975	26,800	131	(41,002)	282,827	542,731	148,821	691,552
Changes in equity for 2014:									
Profit for the year		—	—	—	—	31,427	31,427	8,244	39,671
Other comprehensive income		—	—	—	65	—	65	—	65
Total comprehensive income		—	—	—	65	31,427	31,492	8,244	39,736
Transfer to reserve	21(c)(iii)	—	—	634	—	(634)	—	—	—
Share repurchase	22	—	44,685	—	—	—	44,685	(157,065)	(112,380)
Balance at December 31, 2014 and January 1, 2015:		273,975	71,485	765	(40,937)	313,620	618,908	—	618,908
Changes in equity for 2015:									
Profit for the year		—	—	—	—	34,305	34,305	—	34,305
Other comprehensive income		—	—	—	413	—	413	—	413
Total comprehensive income		—	—	—	413	34,305	34,718	—	34,718
Transfer to reserve	21(c)(iii)	—	—	749	—	(749)	—	—	—
Balance at December 31, 2015 and January 1, 2016:		273,975	71,485	1,514	(40,524)	347,176	653,626	—	653,626
Changes in equity for 2016:									
Profit for the year		—	—	—	—	31,514	31,514	—	31,514
Other comprehensive income		—	—	—	436	—	436	—	436
Total comprehensive income		—	—	—	436	31,514	31,950	—	31,950
Waiver of amounts due to a related party	21(c)(i)	—	10,311	—	—	—	10,311	—	10,311
Transfer to reserve	21(c)(iii)	—	—	723	—	(723)	—	—	—
Balance at December 31, 2016:		<u>273,975</u>	<u>81,796</u>	<u>2,237</u>	<u>(40,088)</u>	<u>377,967</u>	<u>695,887</u>	<u>—</u>	<u>695,887</u>

Consolidated statements of changes in equity (continued)

Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserves	PRC statutory reserves	Exchange reserves	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2017:	273,975	81,796	2,237	(40,088)	377,967	695,887	—	695,887
Changes in equity for the six months ended June 30, 2017:								
Profit for the period	—	—	—	—	9,166	9,166	—	9,166
Other comprehensive income	—	—	—	(188)	—	(188)	—	(188)
Total comprehensive income	—	—	—	(188)	9,166	8,978	—	8,978
Balance at June 30, 2017:	<u>273,975</u>	<u>81,796</u>	<u>2,237</u>	<u>(40,276)</u>	<u>387,133</u>	<u>704,865</u>	<u>—</u>	<u>704,865</u>

(Unaudited)	Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
		Share capital	Capital reserves	PRC statutory reserves	Exchange reserves	Retained profits	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2016:		273,975	71,485	1,514	(40,524)	347,176	653,626	—	653,626
Changes in equity for the six months ended June 30, 2016:									
Profit for the period		—	—	—	—	18,365	18,365	—	18,365
Other comprehensive income		—	—	—	(98)	—	(98)	—	(98)
Total comprehensive income		—	—	—	(98)	18,365	18,267	—	18,267
Balance at June 30, 2016:		<u>273,975</u>	<u>71,485</u>	<u>1,514</u>	<u>(40,622)</u>	<u>365,541</u>	<u>671,893</u>	<u>—</u>	<u>671,893</u>

Consolidated cash flow statements

	Note	Year ended December 31,			Six months ended June 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating activities						
Cash generated from operations	16(b)	35,142	41,689	34,361	12,180	17,588
PRC Corporate Income Tax ("CIT") paid	20(a)	(3,046)	(5,266)	(3,968)	(2,680)	(2,913)
PRC Land Appreciation Tax ("LAT") paid	20(a)	—	—	—	—	(2,643)
Net cash generated from operating activities ...		<u>32,096</u>	<u>36,423</u>	<u>30,393</u>	<u>9,500</u>	<u>12,032</u>
Investing activities						
Business tax and surcharges paid for disposal of investment properties		(6,087)	—	—	—	—
Payment for the purchase of property, plant, equipment and investment properties		(203)	(531)	(801)	(256)	(469)
Proceeds from disposal of property, plant and equipment		—	21	—	—	—
Interest received	6	<u>1,278</u>	<u>1,170</u>	<u>330</u>	<u>99</u>	<u>173</u>
Net cash (used in)/ generated from investing activities		<u>(5,012)</u>	<u>660</u>	<u>(471)</u>	<u>(157)</u>	<u>(296)</u>
Financing activities						
Repayments of bank loans		(13,101)	(14,271)	(14,816)	(7,348)	(7,593)
Proceeds from borrowings from a related party ...		2,016	33	338	6	—
Repayments of borrowings from a related party ...		(4,455)	(5,348)	(86,033)	(3,794)	—
Lending to a related party		(3,000)	(31,243)	(23,171)	(18,870)	—
Repayments from a related party		958	470	105,995	8,234	2,065
Interest paid		(6,023)	(4,551)	(3,148)	(1,668)	(1,205)
Payment of listing expenses		—	—	(3,040)	—	(6,736)
Net cash used in financing activities		<u>(23,605)</u>	<u>(54,910)</u>	<u>(23,875)</u>	<u>(23,440)</u>	<u>(13,469)</u>
Net increase/(decrease) in cash and cash equivalents		<u>3,479</u>	<u>(17,827)</u>	<u>6,047</u>	<u>(14,097)</u>	<u>(1,733)</u>
Cash and cash equivalents at the beginning of the year/period		<u>50,985</u>	<u>54,465</u>	<u>36,640</u>	<u>36,640</u>	<u>42,693</u>
Effect of foreign exchange rate changes		<u>1</u>	<u>2</u>	<u>6</u>	<u>4</u>	<u>(528)</u>
Cash and cash equivalents at the end of the year/period		<u><u>54,465</u></u>	<u><u>36,640</u></u>	<u><u>42,693</u></u>	<u><u>22,547</u></u>	<u><u>40,432</u></u>
Major non-cash transaction is set out as follows:						
Waive of amounts due to a related party (note 21(c)(i))		<u>—</u>	<u>—</u>	<u>10,311</u>	<u>—</u>	<u>—</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Basis of preparation and presentation of Historical Financial Information

Everbright Grand China Assets Limited (the “Company”) was incorporated in the British Virgin Islands (“BVI”) on August 2, 2000 as an exempted company with limited liability under the International Business Companies Act (Cap. 291). On September 15, 2016, the Company was transferred by way of continuation into the Cayman Islands as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation. The Company and its subsidiaries (together, the “Group”) are property leasing companies that also provide property management services in the People’s Republic of China (the “PRC”).

As at the date of this report, no audited financial statements have been prepared for the Company, Metallic Field Limited, Growing China Limited, Square Field Limited and Eastmate Limited as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company Name	Date and place of incorporation /establishment	Particulars of issued and paid-up capital	Percentage of ownership interests		Principal activities	Name of statutory auditor
			Held by the Company	Held by the subsidiary		
Metallic Field Limited (“Metallic Field”)	April 29, 1997 The British Virgin Islands	USD 1/ USD 1	—	100%	Investment holding	N/A
Growing China Limited (“Growing China”) (f)	July 28, 2000 The British Virgin Islands	USD 50,000/ USD 50,000	100%	—	Investment holding	N/A
Square Field Limited (“Square Field”)	August 10, 2010 The British Virgin Islands	USD 50,000/ USD 50,000	—	100%	Investment holding	N/A
Brighter Win Limited (“Brighter Win”) (c)	July 16, 1997 Hong Kong	HKD 10,000/ HKD 10,000	—	100%	Property leasing	KPMG
First Step Corporation Limited (“First Step”) (c)	October 8, 2010 Hong Kong	HKD 10,000/ HKD 10,000	—	100%	Investment holding	Lofty Majestic Certified Public Accountants
Chengdu Sing Kong City Real Estate Co., Ltd (“Sing Kong City”) 成都新港城置業有限公司 (a) (b)	January 3, 1993 Chengdu, the PRC	RMB 30,000,000/ RMB 30,000,000	—	100%	Property development and property leasing	Grant Thornton LLP Chengdu Branch 致同會計師事務所(特殊普通合夥)成都分所
Chengdu Everbright International Mansion Co., Ltd (“International Mansion”) 成都光大國際大廈有限公司 (a) (b) (e)	December 29, 1993 Chengdu, the PRC	RMB 75,310,900/ RMB 75,310,900	—	100%	Property leasing and property management	Grant Thornton LLP Chengdu Branch 致同會計師事務所(特殊普通合夥)成都分所
Chengdu Everbright Finance Centre Development Co., Ltd. (“Finance Center”) 成都光大金融中心項目開發有限公司 (a) (b)	November 28, 1997 Chengdu, the PRC	HKD 39,250,000/ HKD 39,250,000	—	100%	Property leasing	Grant Thornton LLP Chengdu Branch 致同會計師事務所(特殊普通合夥)成都分所
Chengdu Everbright Property Management Co., Ltd (“Everbright PM”) 成都光大物業管理有限公司 (a)(b)	November 28, 2006 Chengdu, the PRC	RMB 1,023,972/ RMB 1,023,972	—	100%	Property management	Grant Thornton LLP Chengdu Branch 致同會計師事務所(特殊普通合夥)成都分所
Eastmate Limited (“Eastmate”)	November 4, 2016 Hong Kong	HKD 10,000/ HKD 10,000	—	100%	Investment holding	N/A

Notes:

- (a) The official names of these companies are in Chinese. The English name is for identification purpose only. These companies were registered as a wholly foreign-owned enterprise under the law of the PRC.
- (b) The statutory financial statements of these companies for the years ended December 31, 2014, 2015 and 2016 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.
- (c) The statutory financial statements of these companies for the years ended December 31, 2014, 2015 and 2016 were prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.
- (d) No statutory audit reports have been issued for the six months ended June 30, 2017.
- (e) On August 20, 2014, the Group acquired the non-controlling interests in International Mansion (see note 22).
- (f) The Company's investment in Growing China of USD 50,000 represents the investment in a subsidiary in the statement of financial position of the Company.

All companies now comprising the Group have adopted December 31 as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended June 30, 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended June 30, 2017 are set out in Note 26.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement and functional and presentation currency

The Historical Financial Information is prepared on the historical cost basis except for investment properties (see note 2(d)) which is stated at its fair value. It is presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise indicated.

The functional currency for the Company and the Company's subsidiaries outside mainland China, except for Brighter Win, is Hong Kong Dollar ("HKD"). RMB is the functional currency of Brighter Win and the Company's subsidiaries established in mainland China.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial information from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealized profits arising from intra-Group transactions are eliminated in full in preparing the financial information. Unrealized losses resulting from intra-Group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(j) or (k) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former

subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(f)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment properties.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of each reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment properties is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 2(p)(ii).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(r)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.
- Equipment and others 2-20 years with residual value of 3% - 10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term except where the property is classified as an investment properties (see note 2(d)) or is held for development for sale.

(g) *Impairment of assets*

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

If any such evidence exists, any impairment loss is determined and recognized as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

The impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or Group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(h) Properties held for sale

Properties held for sale are carried at the lower of cost and net realizable value. Cost and net realizable values of completed property held for sale are determined as follows:

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties held for sale to their present location and condition.

(i) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(k) Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits***Short term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to PRC local retirement schemes pursuant to the relevant labor rules and regulations in the PRC are recognized as an expense in profit or loss as incurred.

(n) Income tax

Income tax for each reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for each reporting period, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(d), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sales of properties

Revenue arising from the sales of properties is recognized when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as "Receipts-in-advance".

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(iii) Property management service fee

These fees are recognized when services are rendered.

(iv) Interest income

Interest income is recognized as it accrues using the effective interest method.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) *Segment reporting*

Operating segments, and the amounts of each segment item reported in the financial information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgements and estimates

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies, which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Historical Financial Information. Note 23 contain information about the assumption and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their market value, unless they are still in the course of construction or development at the end of each reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential and redevelopment potential of the properties.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of each reporting period, with reference to the appropriate capitalization rate.

(b) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(c) Income tax

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provisions for income taxes, as the calculations of which depend on the ultimate tax determinations and are subject to uncertainties. When the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determinations are made.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

4 Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

The Group primarily operates in Mainland China and accordingly, no geographical information is presented.

5 Revenue

The principal activities of the Group are property leasing and provision of property management services.

The amount of each significant category of revenue is as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Property leasing	39,661	40,849	36,935	18,218	18,604
Provision of property management services	17,458	18,537	19,001	9,290	10,247
Sales of properties held for sale	—	—	—	—	3,850
Total	<u>57,119</u>	<u>59,386</u>	<u>55,936</u>	<u>27,508</u>	<u>32,701</u>

The Group's customer base is diversified and includes two, three, three, three and two customers with whom transactions have exceeded 10% of the Group's revenues during the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 respectively. Revenues from these customers amounted to approximately RMB 15,575 thousand, RMB 21,813 thousand, RMB 22,503 thousand, RMB 11,135 thousand and RMB 9,525 thousand for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 respectively. Details of concentrations of credit risk arising from these customers are set out in note 23(a).

6 Other net income and other operating expenses

(a) Other net income

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income from bank deposits	1,278	1,170	330	99	173
Net gain on disposal of property, plant and equipment	—	7	—	—	—
Net foreign exchange (losses)/gains	(21)	(152)	(135)	501	(340)
Allowance for impairment losses (recognized)/reversed	—	—	—	—	—
- trade and other receivables	(25)	25	—	—	—
Others	43	134	94	6	176
	<u>1,275</u>	<u>1,184</u>	<u>289</u>	<u>606</u>	<u>9</u>

(b) Other operating expenses

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Business tax and surcharges for disposal of investment properties.....	6,087	—	—	—	—
Others	67	11	80	72	13
	<u>6,154</u>	<u>11</u>	<u>80</u>	<u>72</u>	<u>13</u>

7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expenses on bank loans	5,997	4,504	3,123	1,699	1,186
Interest expenses on amounts due to a related party.....	3,130	2,599	—	—	—
	<u>9,127</u>	<u>7,103</u>	<u>3,123</u>	<u>1,699</u>	<u>1,186</u>

(b) Staff costs

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages and other benefits.....	10,196	11,795	13,501	6,552	8,225
Contributions to defined contribution scheme	959	986	1,204	572	729
	<u>11,155</u>	<u>12,781</u>	<u>14,705</u>	<u>7,124</u>	<u>8,954</u>
Included in:					
Cost of sales	4,842	5,619	6,148	2,831	3,750
Administrative expenses	6,048	6,863	8,267	4,062	5,047
Distribution costs	265	299	290	231	157
	<u>11,155</u>	<u>12,781</u>	<u>14,705</u>	<u>7,124</u>	<u>8,954</u>

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions as described above.

(c) *Other items*

	Note	Year ended December 31,			Six months ended June 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation	12	<u>547</u>	<u>502</u>	<u>456</u>	<u>242</u>	<u>209</u>
Cost of properties held for sale sold		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,172</u>
Auditor's remuneration - audit service		<u>1,246</u>	<u>883</u>	<u>875</u>	<u>343</u>	<u>355</u>
Listing expenses		<u>—</u>	<u>—</u>	<u>3,040</u>	<u>—</u>	<u>7,208</u>

8 **Income tax in the consolidated statement of profit or loss**

(a) *Taxation in the consolidated statements of profit or loss represents:*

	Note	Year ended December 31,			Six months ended June 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax						
PRC CIT (note(i)(ii))	20(a)	4,910	2,770	3,173	1,154	1,568
PRC LAT (note(iii))	20(a)	—	—	—	—	271
Withholding tax (note(iv))		<u>851</u>	<u>770</u>	<u>811</u>	<u>147</u>	<u>339</u>
		5,761	3,540	3,984	1,301	2,178
Deferred tax						
Origination and reversal of temporary differences	20(b)(i)	<u>9,321</u>	<u>9,954</u>	<u>10,460</u>	<u>6,480</u>	<u>3,461</u>
		<u>15,082</u>	<u>13,494</u>	<u>14,444</u>	<u>7,781</u>	<u>5,639</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	<u>54,753</u>	<u>47,799</u>	<u>45,958</u>	<u>26,146</u>	<u>14,805</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (note (i)(ii))	13,855	12,421	13,457	7,108	5,092
Tax effect of non-deductible expenses	26	6	21	18	3
Tax effect of deductible temporary difference not recognized	330	280	42	21	123
Tax effect of unused tax losses not recognized	129	17	113	487	113
Utilization of tax losses previously not recognized	(109)	—	—	—	(234)
Withholding tax on distributed earnings (note(iv))	—	—	664	—	—
Withholding tax for interest charges between PRC subsidiaries and non-PRC subsidiaries (note(iv))	851	770	147	147	339
LAT (note(iii))	—	—	—	—	271
Tax effect on LAT	—	—	—	—	(68)
Income tax expense	<u>15,082</u>	<u>13,494</u>	<u>14,444</u>	<u>7,781</u>	<u>5,639</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Island and BVI.

The income tax rate applicable to Group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the Relevant Periods is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

- (ii) Effective from January 1, 2008, under the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries and branch are subject to PRC income tax at 25% unless otherwise specified.

Pursuant to "Announcement of the State Administration of Taxation on Issues Relating to Enterprise Income Tax Pertaining to Implementation of the Catalog of Encouraged Industries in Western Region", Everbright PM falls within the eligible industry category and is eligible to enjoy the preferential income tax rate of 15% during the Relevant Periods.

- (iii) LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

For the six months ended June 30, 2017, the Group's properties held for sale are charged on the contract revenue of properties sold at different rates based on types of properties, which ranges from 5% to 8% according to local tax regulations published by Chengdu local tax bureau.

- (iv) According to PRC corporate income tax laws and its implementation rules, dividends receivable and interest income by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax

treaties or arrangements, for profits earned since January 1, 2008. In addition, under the Mainland-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate 5% for dividend income and interest income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprises.

Since the Group can control the amount and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

9 Directors' remuneration

	Note	Year ended December 31,			Six months ended June 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Director's fee	(i)	—	—	—	—	—
Salaries, allowances and benefits in kind		894	873	1,080	470	504
Discretionary bonuses	(ii)	451	611	827	—	—
Retirement scheme contributions		25	27	30	15	16
		<u>1,370</u>	<u>1,511</u>	<u>1,937</u>	<u>485</u>	<u>520</u>

Details of director's remuneration are set out as follows:

Year ended December 31, 2014	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors					
Liu Jia (iii)	—	470	—	13	483
Lin Zimin (iv)	—	164	397	—	561
Lee Wai Kwong (v)	—	260	54	12	326
	—	<u>894</u>	<u>451</u>	<u>25</u>	<u>1,370</u>
Year ended December 31, 2015					
Directors					
Liu Jia (iii)	—	459	—	15	474
Lin Zimin (iv)	—	134	550	—	684
Lee Wai Kwong (v)	—	280	61	12	353
	—	<u>873</u>	<u>611</u>	<u>27</u>	<u>1,511</u>

<u>Year ended December 31, 2016</u>	<u>Directors' fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Discretionary bonuses</u>	<u>Retirement scheme contributions</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Liu Jia (iii)	—	558	—	15	573
Lin Zimin (iv)	—	208	746	—	954
Lee Wai Kwong (v)	—	314	81	15	410
	=	<u>1,080</u>	<u>827</u>	<u>30</u>	<u>1,937</u>
Six months ended June 30, 2017					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Liu Jia (iii)	—	258	—	8	266
Lin Zimin (iv)	—	89	—	—	89
Lee Wai Kwong (v)	—	157	—	8	165
Tse Hang Mui (vi)	—	—	—	—	—
Li Yinzhong (vi)	—	—	—	—	—
	=	<u>504</u>	<u>—</u>	<u>16</u>	<u>520</u>
Six months ended June 30, 2016 (unaudited)					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Liu Jia (iii)	—	244	—	8	252
Lin Zimin (iv)	—	85	—	—	85
Lee Wai Kwong (v)	—	141	—	7	148
	=	<u>470</u>	<u>—</u>	<u>15</u>	<u>485</u>

(i) During the Relevant Periods, no emoluments were paid by the Group to the directors or any of the five highest paid individuals set out in note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Relevant Periods. No remuneration was paid to independent non-executive directors during the Relevant Periods.

(ii) Discretionary bonus is determined by reference to the performance of individuals and the Group.

(iii) Mr. Liu Jia was appointed as director of the Company on September 1, 2000 and re-designated as executive director cum chairman of the Company on June 7, 2017.

(iv) Mr. Lin Zimin was appointed as executive director of the Company on November 25, 2010 and re-designated as executive director of the Company on June 7, 2017.

(v) Mr. Lee Wai Kwong resigned as director of the Company on June 7, 2017.

(vi) Ms. Tse Hang Mui and Mr. Li Yinzhong were appointed as non-executive director on June 7, 2017.

10 Individuals with highest emoluments

During the Relevant Periods, of the five individuals with the highest emoluments, three are directors whose emoluments are disclosed in note 9 above. The aggregate of the emoluments in respect of the remaining individuals during the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowance and benefit in kind	1,200	1,278	1,504	688	719
Discretionary bonuses	687	859	1,075	302	302
Retirement scheme contributions	40	54	62	45	45
	<u>1,927</u>	<u>2,191</u>	<u>2,641</u>	<u>1,035</u>	<u>1,066</u>

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	Number of individuals	Number of individuals	Number of individuals	(unaudited) Number of individuals	Number of individuals
Nil – RMB 1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

11 Earnings per share

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to equity shareholder of the Company for each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 and 33,100,000 shares in issue during the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017.

The calculation of earnings per share has not taken into account the proposed Share Subdivision pursuant to the shareholders' resolution passed on December 15, 2017 whereby each of the existing issued and unissued ordinary shares with a par value of US\$1.00 each in the share capital of the Company will be subdivided into 10 ordinary shares with a par value of US\$0.10 each. The proposed Share Subdivision has not become effective as of the date of this report and will only take place immediately prior to the completion of the Global Offering, details of which are set out in the section headed "History, Reorganization and Group Structure" included in the Prospectus. See note 21(b) for more information on the Share Subdivision.

There were no dilutive potential ordinary shares during the Relevant Periods and, therefore, diluted earnings per share are the same as basic earnings per share.

12 Property, plant and equipment

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
	<u>RMB'000</u>	<u>and others</u>	<u>RMB'000</u>
		<u>RMB'000</u>	<u>RMB'000</u>
Cost			
At January 1, 2014	3,161	3,172	6,333
Additions	—	203	203
At December 31, 2014	3,161	3,375	6,536
Additions	—	411	411
Disposals	—	(138)	(138)
At December 31, 2015	3,161	3,648	6,809
Additions	—	572	572
At December 31, 2016 and June 30, 2017	3,161	4,220	7,381
Accumulated depreciation:			
At January 1, 2014	(582)	(1,605)	(2,187)
Charge for the year	(126)	(421)	(547)
At December 31, 2014	(708)	(2,026)	(2,734)
Charge for the year	(126)	(376)	(502)
Written back on disposals	—	124	124
At December 31, 2015	(834)	(2,278)	(3,112)
Charge for the year	(126)	(330)	(456)
At December 31, 2016	(960)	(2,608)	(3,568)
Charge for the period	(63)	(146)	(209)
At June 30, 2017	(1,023)	(2,754)	(3,777)
Net book value:			
At December 31, 2014	<u>2,453</u>	<u>1,349</u>	<u>3,802</u>
At December 31, 2015	<u>2,327</u>	<u>1,370</u>	<u>3,697</u>
At December 31, 2016	<u>2,201</u>	<u>1,612</u>	<u>3,813</u>
At June 30, 2017	<u>2,138</u>	<u>1,466</u>	<u>3,604</u>

All of the Group's buildings are located in PRC.

As at December 31, 2014, 2015, 2016 and June 30, 2017, buildings with carrying amount of RMB 2,453 thousand, RMB 2,327 thousand, RMB 2,201 thousand and RMB 2,138 thousand, respectively, were pledged as collateral for the Group's bank loans (see note 19).

13 Investment properties

	RMB'000
At January 1, 2014	918,772
Fair value adjustments	35,898
Disposal for share repurchase (note 22)	<u>(139,380)</u>
At December 31, 2014	815,290
Addition	120
Fair value adjustments	<u>18,801</u>
At December 31, 2015	834,211
Addition	229
Fair value adjustments	<u>22,673</u>
At December 31, 2016	857,113
Addition	469
Fair value adjustments	<u>6,718</u>
At June 30, 2017	<u><u>864,300</u></u>

As at December 31, 2014, 2015, 2016 and June 30, 2017, investment properties with fair value of RMB 622,725 thousand, RMB 636,523 thousand, RMB 653,873 thousand and RMB 660,605 thousand, respectively, were pledged as collateral for the Group's bank loans (see note 19).

As at December 31, 2014, 2015, 2016 and June 30, 2017, investment properties with fair value of RMB 13,866 thousand, RMB 14,585 thousand, RMB 15,359 thousand and RMB 15,600 thousand, respectively, were pledged to Chengdu Main Road Construction Command Center.

*(a) Fair value measurement of investment properties**(i) Fair value hierarchy*

The following table presents the fair value of the Group's properties measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

As at December 31, 2014, 2015, 2016 and June 30, 2017, the Group's investment properties carried at fair value were entirely categorized in Level 3. During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

All of the Group's investment properties were revalued as at the end of each reporting period. The valuations were carried out by an independent firm of surveyors in Hong Kong, Landscope Christie's International Real Estate, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's directors and the financial manager have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

(ii) Information about Level 3 fair value measurements:

Valuation technique	Unobservable input	Range	Weighted average
Market approach by direct comparison method	adjustment of comparables for difference of transaction time and physical attributes between the subject property	- 50% to 60%	N/A
Term and Reversion Method	capitalization rate and discount factor	3.75% ~6.5%	N/A

The investment properties are all located in Mainland China which are partially owner-occupied and partially subjected to existing tenancies as at the date of valuation. In this connection, for the property interests in vacant possession, the fair value has been determined assuming vacant possession could be immediately available as at the date of valuation. For the tenanted property interests, the fair value has been determined on the basis of capitalization of the net income derived from the existing tenancies with due allowance for reversionary income potential of the respective properties and where appropriate, also made reference to the comparable market transactions.

(b) Investment properties leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually adjusted periodically to reflect market rentals and contain a contingent rental element which is based on a fixed percentage of customer's sales receipts.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

Total future minimum lease receivables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	35,669	26,868	28,888	29,747
After 1 year but within 5 years	66,973	61,565	55,951	60,977
After 5 years	21,962	14,631	9,366	9,732
	<u>124,604</u>	<u>103,064</u>	<u>94,205</u>	<u>100,456</u>

14 Interests in subsidiaries

The Company	Note	As at December 31,			As at June 30,
		2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	1(e)	306	319	344	341
Amounts due from a subsidiary					
- Brighter Win		104,353	108,739	117,230	116,679
		<u>104,659</u>	<u>109,058</u>	<u>117,574</u>	<u>117,020</u>

Amounts due from a subsidiary are unsecured, interest-free and have no fixed terms of repayment. The directors regard amounts due from a subsidiary as non-current assets and as “interests in subsidiaries” as they do not intend to request repayment of these amounts from the subsidiary within 12 months from the end of each reporting period.

15 Trade and other receivables

The Group	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (i).....	4,956	3,844	2,974	6,799
Less: allowance for impairment of trade receivables	(166)	(141)	(141)	(141)
	4,790	3,703	2,833	6,658
Prepayments (ii)	—	—	—	2,042
Other receivables	201	241	509	819
	<u>4,991</u>	<u>3,944</u>	<u>3,342</u>	<u>9,519</u>

The Company	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	—	—	—	2,042
Other receivables	—	—	—	213
	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,255</u>

(i) Trade receivables are primarily related to revenue recognized from the provision of property leasing and management services.

(ii) As at June 30, 2017, prepayments mainly represent listing expenses prepaid by the Company.

(a) Aging analysis

As at the end of each reporting period, the aging of trade receivables (net of allowance for doubtful debts) based on the date the relevant trade and bill receivables recognized are within one year, except for amounts of RMB 3,647 thousand, RMB 3,288 thousand, RMB 2,065 thousand and RMB 1,885 thousand respectively are expected to be recovered after one year as at December 31, 2014, 2015, 2016 and June 30, 2017.

Trade debtors are due pursuant to the terms of the agreements. Further details on the Group's credit policy are set out in note 23 (a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(g)(i)).

The movement in the allowance for impairment loss of trade receivables during the Relevant Periods is as follows:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	141	166	141	141
Allowance for impairment loss recognized/(reversed)...	25	(25)	—	—
At December 31	<u>166</u>	<u>141</u>	<u>141</u>	<u>141</u>

At December 31, 2014, 2015, 2016 and June 30, 2017, the Group's trade receivables of RMB 166 thousand, RMB 141 thousand, RMB 141 thousand and RMB 141 thousand respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables are expected to be recovered. Consequently, specific allowance for impairment loss of trade receivables of RMB 166 thousand, RMB 141 thousand, RMB 141 thousand and RMB 141 thousand respectively were recognized.

(c) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	4,199	3,703	2,661	2,998
Less than one year past due	591	—	172	3,660
	<u>4,790</u>	<u>3,703</u>	<u>2,833</u>	<u>6,658</u>

16 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

The Group	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	125	91	72	68
Cash at bank	54,340	36,549	42,621	40,364
	<u>54,465</u>	<u>36,640</u>	<u>42,693</u>	<u>40,432</u>

As at December 31, 2014, 2015, 2016 and June 30, 2017, the cash and bank balances of the PRC subsidiaries comprising the Group is not freely convertible into other currencies and subject to Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(b) Reconciliation of profit before taxation to cash generate from operation

	Note	Year ended December 31,			Six months ended June 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Profit before taxation.....		54,753	47,799	45,958	26,146	14,805
Adjustments for:						
Valuation gains on investment						
properties	13	(35,898)	(18,801)	(22,673)	(13,989)	(6,718)
Depreciation	12	547	502	456	242	209
Finance costs	7(a)	9,127	7,103	3,123	1,699	1,186
Interest income	6(a)	(1,278)	(1,170)	(330)	(99)	(173)
Net gain on disposal of property, plant and equipment.....	6(a)	—	(7)	—	—	—
Allowance for doubtful debts of trade receivables	15	25	(25)	—	—	—
Net foreign exchange losses/(gains) ..	6(a)	21	152	135	(501)	340
Listing expenses	7(c)	—	—	3,040	—	7,208
Business tax and surcharges for disposal of investment properties...	6(b)	6,087	—	—	—	—
Changes in working capital:						
Decrease in properties held for sale ...		—	—	—	—	1,172
Decrease/(increase) in trade and other receivables		554	1,072	602	(1,339)	(6,177)
(Decrease)/increase in trade and other payables and receipts-in-advance ..		(2,008)	1,707	308	(1,497)	5,736
Increase in amounts due to a related party		3,212	3,357	3,742	1,518	—
Cash generated from operations.....		<u>35,142</u>	<u>41,689</u>	<u>34,361</u>	<u>12,180</u>	<u>17,588</u>

17 Trade and other payables

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	282	382	328	376
Interest payable	146	99	74	55
Other taxes and charges payable	904	776	597	884
Deposits (i)	4,759	4,340	4,321	4,839
Accrued payroll and other benefits	36	54	53	579
Accrued listing expenses	—	—	—	2,514
Other payables	1,304	703	984	1,138
	<u>7,431</u>	<u>6,354</u>	<u>6,357</u>	<u>10,385</u>

(i) Deposits represent rental deposits received from tenants during the leasing period.

18 Receipts-in-advance

As at December 31, 2014, 2015, 2016 and June 30, 2017, receipts-in-advance mainly represent property leasing fees and management fees prepaid by tenants.

19 Bank loans

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans – secured				
- Within 1 year or on demand	14,271	14,816	15,313	10,720
- More than 1 year but less than 2 years	14,816	15,313	6,000	6,000
- More than 2 years but less than 5 years	27,313	18,500	19,500	23,500
- More than 5 years	20,500	14,000	7,000	—
	<u>62,629</u>	<u>47,813</u>	<u>32,500</u>	<u>29,500</u>
	<u>76,900</u>	<u>62,629</u>	<u>47,813</u>	<u>40,220</u>

The effective interest rates of bank loans of the Group as at December 31, 2014, 2015, 2016 and June 30, 2017 varied from 6.77% to 7.21%, 5.39% to 6.88%, 5.15% to 5.67% and 5.15% to 5.39% per annum.

Secured bank loans with a carrying value of RMB 76,900 thousand, RMB 62,629 thousand, RMB 47,813 thousand and RMB 40,220 thousand as at December 31, 2014, 2015, 2016 and June 30, 2017 were secured by investment properties (with an aggregate carrying amount of RMB 622,725 thousand, RMB 636,523 thousand, RMB 653,873 thousand and RMB 660,605 thousand) and buildings (with a carrying amount of RMB 2,453 thousand, RMB 2,327 thousand, RMB 2,201 thousand and RMB 2,138 thousand) owned by the Group respectively and floating charges over all receipts and receivables from the investment properties owned by Finance Centre.

20 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
PRC CIT				
At the beginning of the year/period	1,027	3,742	2,016	2,032
Provision for current taxation for the year/period	5,761	3,540	3,984	1,907
Payments during the year/period	(3,046)	(5,266)	(3,968)	(2,913)
At the end of the year/period	3,742	2,016	2,032	1,026
PRC LAT				
At the beginning of the year/period	2,372	2,372	2,372	2,372
Provision for LAT for the year/period	—	—	—	271
Payments during the year/period	—	—	—	(2,643)
At the end of the year/period	2,372	2,372	2,372	—
Current taxation as at the end of the year/period	6,114	4,388	4,404	1,026

(b) Deferred tax assets/(liabilities) recognized

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognized in the consolidated statement of financial position and the movements during the Relevant Periods are as follows:

	Note	Unpaid interests RMB'000	Provision for depreciation RMB'000	Revaluation of investment property RMB'000	Total RMB'000
At January 1, 2014		3,618	(45,244)	(80,376)	(122,002)
Charged to profit or loss	8(a)	(652)	(406)	(8,263)	(9,321)
At December 31, 2014		2,966	(45,650)	(88,639)	(131,323)
Charged to profit or loss	8(a)	(1,090)	(4,163)	(4,701)	(9,954)
At December 31, 2015		1,876	(49,813)	(93,340)	(141,277)
Charged to profit or loss	8(a)	(622)	(4,170)	(5,668)	(10,460)
At December 31, 2016		1,254	(53,983)	(99,008)	(151,737)
Charged to profit or loss	8(a)	274	(2,056)	(1,679)	(3,461)
At June 30, 2017		1,528	(56,039)	(100,687)	(155,198)

(ii) Reconciliation to the consolidated statements of financial position:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset recognized in the consolidated statement of financial position	2,966	1,876	1,254	1,528
Net deferred tax liability recognized in the consolidated statement of financial position	(134,289)	(143,153)	(152,991)	(156,726)
	<u>(131,323)</u>	<u>(141,277)</u>	<u>(151,737)</u>	<u>(155,198)</u>

(c) *Deferred tax assets not recognized*

Deferred tax assets have not been recognized in respect of the following items:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deductible temporary differences not recognized	19,657	20,777	20,945	21,435
Unused PRC tax losses	517	585	1,037	553
	<u>20,174</u>	<u>21,362</u>	<u>21,982</u>	<u>21,988</u>

In accordance with the accounting policy set out in note 2(n), the Group has not recognized deferred tax assets of RMB 129 thousand, RMB 17 thousand, RMB 113 thousand and RMB 113 thousand in the year of 2014, 2015 and 2016 and the six months ended June 30, 2017 respectively in respect of unused tax losses of certain subsidiaries. The directors consider it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in the PRC, the unrecognized tax losses at the end of each reporting period will expire in the following years:

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
2019	517	517	517	—
2020	—	68	68	—
2021	—	—	452	101
2022	—	—	—	452
	<u>517</u>	<u>585</u>	<u>1,037</u>	<u>553</u>

21 Capital and reserves

(a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

The Company	Share capital	Capital reserves	Exchange reserves	Retained Profits/ accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2014:	273,975	—	(73,263)	9,379	210,091
Changes in equity for 2014:					
Loss for the year	—	—	—	(3,845)	(3,845)
Other comprehensive income	—	—	1,531	—	1,531
Total comprehensive income	—	—	1,531	(3,845)	(2,314)
Balance at December 31, 2014 and January 1, 2015:	273,975	—	(71,732)	5,534	207,777
Changes in equity for 2015:					
Loss for the year	—	—	—	(6,960)	(6,960)
Other comprehensive income	—	—	8,859	—	8,859
Total comprehensive income	—	—	8,859	(6,960)	1,899
Balance at December 31, 2015 and January 1, 2016:	273,975	—	(62,873)	(1,426)	209,676
Changes in equity for 2016:					
Loss for the year	—	—	—	(8,165)	(8,165)
Other comprehensive income	—	—	16,431	—	16,431
Total comprehensive income	—	—	16,431	(8,165)	8,266
Waive of amounts due to a related party	—	10,311	—	—	10,311
Balance at December 31, 2016 and January 1, 2017:	273,975	10,311	(46,442)	(9,591)	228,253
Changes in equity for the six months ended June 30, 2017:					
Profit for the period	—	—	—	198	198
Other comprehensive income	—	—	(2,044)	—	(2,044)
Total comprehensive income	—	—	(2,044)	198	(1,846)
Balance at June 30, 2017:	<u>273,975</u>	<u>10,311</u>	<u>(48,486)</u>	<u>(9,393)</u>	<u>226,407</u>

The Company (Unaudited)	Share capital RMB'000	Capital reserves RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at January 1, 2016:	273,975	—	(62,873)	(1,426)	209,676
Changes in equity for the six months ended June 30, 2016:					
Loss for the period	—	—	—	(2,306)	(2,306)
Other comprehensive income	—	—	5,373	—	5,373
Total comprehensive income	—	—	5,373	(2,306)	3,067
Balance at June 30, 2016:	<u>273,975</u>	<u>—</u>	<u>(57,500)</u>	<u>(3,732)</u>	<u>212,743</u>

(b) *Share capital*

As at December 31,						As at June 30,	
2014		2015		2016		2017	
No. of shares	RMB'000	No. of shares	RMB'000	No. of shares	RMB'000	No. of shares	RMB'000

**Ordinary shares,
issued and fully
paid:**

At January 1 and

December 31	<u>33,100,000</u>	<u>273,975</u>	<u>33,100,000</u>	<u>273,975</u>	<u>33,100,000</u>	<u>273,975</u>	<u>33,100,000</u>	<u>273,975</u>
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The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The authorized shares of the Company was divided into 40,000,000 ordinary shares of US\$ 1.00 each as at December 31, 2014, 2015, 2016 and June 30, 2017.

Pursuant to the shareholders' resolution passed on December 15, 2017, each of the existing issued and unissued ordinary shares with a par value of US\$1.00 each in the share capital of the Company will be subdivided into 10 ordinary shares with a par value of US\$0.10 each so that the authorized share capital of the Company shall become US\$40,000,000 divided into 400,000,000 Shares with a par value of US\$0.10 each, effective immediately prior to the completion of the Global Offering. Subsequent to the Share Subdivision, the authorized share capital of the Company will increase from US\$40,000,000 divided into 400,000,000 Shares of US\$0.10 each to US\$400,000,000 divided into 4,000,000,000 Shares of US\$0.10 each. Details of the Share Subdivision and increase in authorized share capital are set out in the section headed "History, Reorganization and Group Structure" included in the Prospectus.

(c) *Nature and purpose of reserves*

(i) Capital reserves

Capital reserves of the Group consisted of the followings:

- Merger reserve of RMB 26,800 thousand, which was resulted from business combination in 2010 involving entities under common control;
- Reserves of RMB 44,685 thousand due to share repurchase set out in note 22;

- Pursuant to a waiver agreement dated December 31, 2016, Capital Century Company Limited agreed to waive an amount of RMB 10,311 thousand due from the Company. The waiver of liabilities was recorded as an equity transaction and recorded in the consolidated statement of equity.

(ii) Exchange reserves

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(q).

(iii) PRC statutory reserve

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation (after offsetting the losses in the preceding years), as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholder and benefits for other stakeholders, by pricing rental and management fee commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of bank loans less cash and cash equivalents, and equity of the Group, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure periodically. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The Group is not subject to externally imposed capital requirements throughout the Relevant Periods.

22 Share repurchase

On August 23, 2012, the Company's subsidiary, International Mansion entered into a share repurchase agreement with Chengdu Tianfu New Town Convention Center Co., Ltd. ("Chengdu Tianfu", previous known as Chengdu Yu He Industrial Co., Ltd.) and Metallic Field, whereby International Mansion agreed to repurchase 49% of its shares held by Chengdu Tianfu, upon which the registered capital of International Mansion shall be reduced. On the same day, an equity and property exchange agreement was entered into among Chengdu Municipal Bureau of Administration (the controlling shareholder of Chengdu Tianfu), Chengdu Tianfu and International Mansion, pursuant to which Chengdu Municipal Bureau of Administration agreed to pay

RMB27,000 thousand and dispose of the 49% shares held by Chengdu Tianfu in International Mansion, in exchange for part of the investment properties held by International Mansion. In August 2014, the repurchase was completed and the Group's effective ownership in International Mansion increased from 51% to 100%. Subsequently, the repurchased shares were canceled on December 31, 2014.

The financial impact of International Mansion's purchase of own shares is as follows:

	Note	RMB'000
Cash consideration received		27,000
Carrying value of non-controlling interests purchased		157,065
Carrying amount of the investment properties transferred	13	<u>(139,380)</u>
Difference of carrying value of non-controlling interests acquired and consideration paid charged to capital reserve		<u>44,685</u>

23 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's business exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are recorded for irrecoverable amounts. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate, and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2014, 2015, 2016 and June 30, 2017, 75%, 84%, 78% and 29% of trade and other receivables were due from the Group's largest two, three, three and two customers.

The Group does not provide any other guarantees which would expose the Group to any credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

(b) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or from other Group companies to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay.

	As at December 31, 2014					Carrying amount at December 31
	Contractual undiscounted cash flows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	3,685	1,033	962	1,751	7,431	7,431
Amounts due to a related party	95,577	—	—	—	95,577	92,177
Bank loans - current	19,171	—	—	—	19,171	14,271
Bank loans - non-current	—	18,726	34,050	22,881	75,657	62,629
	<u>118,433</u>	<u>19,759</u>	<u>35,012</u>	<u>24,632</u>	<u>197,836</u>	<u>176,508</u>

	As at December 31, 2015					Carrying amount at December 31
	Contractual undiscounted cash flows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	3,166	191	1,246	1,751	6,354	6,354
Amounts due to a related party	95,573	—	—	—	95,573	92,559
Bank loans - current	18,013	—	—	—	18,013	14,816
Bank loans - non-current	—	17,683	22,745	14,893	55,321	47,813
	<u>116,752</u>	<u>17,874</u>	<u>23,991</u>	<u>16,644</u>	<u>175,261</u>	<u>161,542</u>

	As at December 31, 2016					Carrying amount at December 31
	Contractual undiscounted cash flows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	2,980	468	1,068	1,841	6,357	6,357
Bank loans - current	17,683	—	—	—	17,683	15,313
Bank loans - non-current	—	7,758	22,682	7,198	37,638	32,500
	<u>20,663</u>	<u>8,226</u>	<u>23,750</u>	<u>9,039</u>	<u>61,678</u>	<u>54,170</u>

	As at June 30, 2017					Carrying amount at June 30
	Contractual undiscounted cash flows					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	6,844	486	982	2,073	10,385	10,385
Bank loans - current	12,719	—	—	—	12,719	10,720
Bank loans - non-current	—	7,588	26,073	—	33,661	29,500
	<u>19,563</u>	<u>8,074</u>	<u>27,055</u>	<u>2,073</u>	<u>56,765</u>	<u>50,605</u>

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents and interest-bearing borrowings.

The Group is not exposed to significant interest rate risk for cash and cash equivalents because the interest rates of cash at bank are not expected to change significantly.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings at the end of each reporting period.

	As at December 31,				As at June 30,			
	2014		2015		2016		2017	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
Variable rate borrowings:								
Bank loans	6.77%~7.21%	76,900	5.39%~6.88%	62,629	5.15%~5.67%	47,813	5.15%~5.39%	40,220
Amounts due to a related party	6.15%~6.55%	49,000	4.90%~6.15%	49,000	—	—	—	—
Total borrowings		<u>125,900</u>		<u>111,629</u>		<u>47,813</u>		<u>40,220</u>

(ii) Sensitivity analysis

The following table details the effect on the Group's profit after tax for each year of the Relevant Periods and retained profits as at the end of each reporting period that an increase/ decrease of 100 basis points in interest rates would have.

	As at December 31,				As at June 30,			
	2014		2015		2016		2017	
	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Effect on:								
Profit								
after tax	(944)	944	(837)	837	(359)	359	(302)	302
Retained profits ..	(944)	944	(837)	837	(359)	359	(302)	302

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the each of the Relevant Periods.

(d) Currency risk

Almost all the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. Exposures to currency exchange rates arise from certain of the Group's cash and cash equivalents which are denominated in HKD. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and consider no significant exposure on its foreign exchange risk.

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	<u>45</u>	<u>46</u>	<u>49</u>	<u>13,672</u>

(i) Sensitivity analysis

The foreign currency sensitivity analysis is calculated based on the major net foreign currency exposure of the Group as at the end of each reporting period, assuming 5% shift of RMB against HKD.

Results from a 5% strengthening of the RMB against HKD would decrease the profit after tax/increase the loss after tax and decrease the retained profits as at December 31, 2014, 2015 and 2016 and June 30, 2017 are RMB 2 thousand, RMB 2 thousand, RMB 2 thousand and RMB 684 thousand. A 5% weakening of the RMB against HKD as at the same dates would have had the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

24 Material related party transactions

In addition to the related party information disclosed elsewhere in this Financial Information, the Group entered into the following significant related party transactions during the Relevant Periods.

(a) Name and relationship with related parties

During the Relevant Periods, transactions with the following parties are considered as related party transactions:

Name of party	Relationship with the Group
Capital Century Company Limited (“Capital Century”)	Intermediate holding company (Note 25)
Everbright Securities Company Limited* (“CE Securities”) 光大證券股份有限公司	Company Controlled by China Everbright (Group) Company Limited
China Everbright Bank Co., Ltd. Kunming Branch* (“CE Bank Kunming Branch”) 中國光大銀行股份有限公司昆明分行	Company Controlled by China Everbright (Group) Company Limited
Mr. Liu Jia	Ex-director, existing executive director cum chairman of the Company
Mr. Lin Zimin	Ex-director, existing executive director of the Company
Mr. Lee Wai Kwong	Ex-director, existing secretary cum assistant general manager of the Company

* The English translation of the entities' names is for reference only. The official names of these entities are in Chinese.

(b) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Director's fee.....	—	—	—	—	—
Salaries, allowances and benefits in kind.....	894	873	1,080	470	504
Discretionary bonuses	451	611	827	—	—
Retirement scheme contributions	25	27	30	15	16
	<u>1,370</u>	<u>1,511</u>	<u>1,937</u>	<u>485</u>	<u>520</u>

The above remuneration to key management personnel is included in “staff costs” (see note 7(b)).

(c) *Significant related party transactions*

Particulars of significant transactions between the Group and the above related parties during the Relevant Periods are as follows:

	Note	Year ended December 31,			Six months ended June 30,	
		2014 RMB'000	2015 RMB'000	2016 RMB'000	2016 RMB'000 (unaudited)	2017 RMB'000
Interest expenses						
Capital Century	7(a)	<u>3,130</u>	<u>2,599</u>	<u>—</u>	<u>—</u>	<u>—</u>
Proceeds from borrowings from a related party						
Capital Century		<u>2,016</u>	<u>33</u>	<u>338</u>	<u>6</u>	<u>—</u>
Repayments of borrowings from a related party						
Capital Century		<u>4,455</u>	<u>5,348</u>	<u>86,033</u>	<u>3,794</u>	<u>1,388</u>
Lending to a related party						
Capital Century		<u>3,000</u>	<u>31,243</u>	<u>23,171</u>	<u>18,870</u>	<u>—</u>
Repayments from a related party						
Capital Century		<u>958</u>	<u>470</u>	<u>105,995</u>	<u>8,234</u>	<u>2,065</u>
Expense paid on behalf of the Company by a related party						
Capital Century		<u>3,212</u>	<u>3,357</u>	<u>3,742</u>	<u>1,518</u>	<u>1,388</u>
Waiver of amounts due to a related party						
Capital Century		<u>—</u>	<u>—</u>	<u>10,311</u>	<u>—</u>	<u>—</u>
Property leasing income from						
CE Bank Kunming Branch		<u>5,289</u>	<u>6,084</u>	<u>5,569</u>	<u>3,013</u>	<u>2,647</u>
CE Securities		<u>730</u>	<u>729</u>	<u>785</u>	<u>390</u>	<u>418</u>
		<u>6,019</u>	<u>6,813</u>	<u>6,354</u>	<u>3,403</u>	<u>3,065</u>

(d) Balances with related parties

The Group	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade related:				
Amounts due from a related party				
Capital Century	54,116	84,889	2,065	—
Amounts due to a related party				
Capital Century	92,177	92,559	—	—
Trade related:				
Receipts-in-advance				
CE Bank Kunming Branch	—	3,103	2,794	2,856
CE Securities	193	193	441	441
	193	3,296	3,235	3,297

Amounts due from Capital Century are unsecured, interest free and repayable on demand.

Amounts due to Capital Century Company Limited are unsecured and repayable on demand. As at December 31, 2014 and 2015, RMB 49,000 thousand and RMB 49,000 thousand respectively were interest bearing and interests were charged at the benchmark interest rate of the People's Bank of China. The remaining balances due to Capital Century Company Limited are interest free.

The Company	As at December 31,			As at June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade related:				
Amounts due from a related party				
Capital Century	186	183	2,065	—
Amounts due from subsidiaries				
Metallic Field	107,500	108,418	114,112	113,854
Square Field	—	—	38	38
First Step	—	—	3,207	3,289
Finance Centre	—	—	28,345	29,010
International Mansion	—	—	2,648	2,714
Sing Kong City	—	—	45,275	45,766
	107,500	108,418	193,625	194,671
Amounts due to a related party				
Capital Century	(4,303)	(7,706)	—	—
Amounts due to subsidiaries				
Growing China	(265)	(277)	(270)	(267)
Brighter Win	—	—	(91,650)	(91,867)
	(265)	(277)	(91,920)	(92,134)

All the balances are unsecured, interest-free and payable on demand.

25 Immediate and ultimate controlling company

On January 3, 2017, Capital Century, the sole shareholder of the Company, transferred 29,790,000 and 3,310,000 shares, representing all of its shares in the Company to two of its wholly owned subsidiaries incorporated in the BVI, Lucky Link Investments Limited (“Lucky Link”) and Top Charm Investments Limited (“Top Charm”) respectively. Thereafter, Lucky Link and Top Charm became direct shareholders of the Company as to 90% and 10% respectively.

As at June 30, 2017, the directors consider the immediate holding company and ultimate controlling party of the Group to be Lucky Link and the State Council, which are incorporated in BVI and the PRC respectively. The entities does not produce financial statements available for public use.

26 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended June 30, 2017

Up to the date of issuance of this Historical Financial Information, the HKICPA has issued following amendments and new standards which are not yet effective for the period ended June 30, 2017 and which have not been early adopted by the Group:

	<u>Effective for accounting periods beginning on or after</u>
HKFRS 9, <i>Financial instruments</i>	January 1, 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	January 1, 2018
HKFRS 15 (Amendment), <i>Clarification to HKFRS 15 Revenue from contracts with customers</i>	January 1, 2018
HKFRS 2 (Amendment), <i>Classification and Measurement of Share-based Payment Transactions</i>	January 1, 2018
HKFRS 4 (Amendment), <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>	January 1, 2018
HKFRS 1 (Amendment), <i>First time adoption of HKFRS</i>	January 1, 2018
HKAS 28 (Amendment), <i>Investments in associates and joint ventures</i>	January 1, 2018
HK (IFRIC) 22 <i>Foreign Currency Transactions and Advance Consideration</i>	January 1, 2018
HKFRS 40 (Amendments), <i>Transfers of investment property</i>	January 1, 2018
<i>Annual Improvements 2014-2016 Cycle, Amendments to a number of HKFRSs</i>	January 1, 2018
HKFRS 10 and HKAS 28 (Amendment) <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
HKFRS 16, <i>Leases</i>	January 1, 2019
HK(IFRIC) 23 <i>Uncertainty over Income Tax Treatments</i>	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified the following new standards which may be relevant to the Group but has not identified any aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortized cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognized in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognized in profit or loss. Gains, losses and impairments on that security will be recognized in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortized cost will continue with their classification and measurements upon the adoption of HKFRS 9. The Group currently does not have any financial liabilities classified as FVTPL or FVTOCI.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognized in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognized. Instead, an entity is required to recognize and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. Based on the Group's preliminary assessment, this new requirement may not have a significant impact on the Group on adoption of HKFRS9.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(p). During the Relevant Periods, the Group's revenue mainly consisted of revenue from property leasing and provision of property management services. Revenue for property leasing is recognized in accordance with HKFRS 16, *Leases*. The Group's revenue from provision of property management services is recognized over time. The Group's current assessment of the impact of adopting HKFRS 15 to recognize revenue from provision of property management services is as follows:

Under HKFRS 15, revenue is recognized when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognizes revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group is currently evaluating the impact of adoption of HKFRS 15. Based on the preliminary assessment that the Group recognizes revenue from provision of property management services when services are rendered, which is generally consistent with the requirement under HKFRS 15, thus the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operation and financial position.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, significant deferred payments are not common in the Group's arrangements with its customers, while certain of its customers makes advance payments to the Group which normally covers one months to six months.

The Group is in the process of assessing whether this component in the Group's advance payment scheme would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognizing revenue from provision of property management services. Based on the preliminary assessment, the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operation and financial position.

HKFRS 16, Leases

As disclosed in note 2(f), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. However, as the Group does not have any material operating lease commitment during the Relevant Periods, the application of the new accounting model is expected to have no material impact for the Group's financial statements.

27 Subsequent events

Pursuant to the shareholders' resolution passed on December 15, 2017, each of the existing issued and unissued ordinary shares with a par value of US\$1.00 each in the share capital of the Company will be subdivided into 10 ordinary shares with a par value of US\$0.10 each so that the authorized share capital of the Company shall become US\$40,000,000 divided into 400,000,000 Shares with a par value of US\$0.10 each, effective immediately prior to the completion of the Global Offering. Subsequent to the Share Subdivision, the authorized share capital of the Company will increase from US\$40,000,000 divided into 400,000,000 Shares of US\$0.10 each to US\$400,000,000 divided into 4,000,000,000 Shares of US\$0.10 each. Details of the Share Subdivision and increase in the authorized share capital are set out in the section headed "History, Reorganization and Group Structure" included in the Prospectus.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to June 30, 2017.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF EVERBRIGHT GRAND CHINA ASSETS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Everbright Grand China Assets Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at June 30, 2017 and related notes as set out in Part A of Appendix II to the prospectus dated December 29, 2017 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at June 30, 2017 as if the Global Offering had taken place at June 30, 2017. As part of this process, information about the Group's financial position as at June 30, 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at June 30, 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and

- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

December 29, 2017

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this listing document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this listing document and the Accountants' Report set forth in Appendix I to this listing document.

A UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purposes only, the following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules is prepared to show the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to equity shareholders of the Company as of June 30, 2017 and is based on the audited consolidated net assets derived from the audited financial information of our Group as of June 30, 2017 as included in the Accountants' Report as set out in Appendix I to the Prospectus.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at June 30, 2017 or at any future date.

	Consolidated net tangible assets attributable to the equity Shareholders of the Company as of June 30, 2017 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity Shareholders of the Company ⁽³⁾⁽⁴⁾	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB ⁽⁵⁾	(HK\$ equivalent) ⁽⁶⁾
Based on an Offer Price of HK\$1.30 per Share	704,865	96,242	801,107	1.81	2.14
Based on an Offer Price of HK\$1.49 per Share	704,865	113,180	818,045	1.85	2.19

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2017 have been calculated based on the audited consolidated total equity attributable to equity Shareholders of the Company as of June 30, 2017 of RMB704,865,000 extracted from the Accountants' Report set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 110,400,000 Shares to be issued at the estimated offer prices of HK\$1.30 per Share (being the low-end of the Offer Price) and HK\$1.49 per Share (being the high-end of the Offer Price), after deduction of the estimated underwriting fees and other estimated related expenses payable by us and take no account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (3) Our property interests as at June 30, 2017 include (a) investment properties and (b) properties held for sale. They have been valued by an independent firm of surveyors in Hong Kong, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Details of the valuation in respect of these property interests were set out in Appendix III to this Prospectus. Investment properties are accounted for at fair value in accordance with the Company's accounting policies. Properties held for sale is accounted for at the lower of cost and the net realizable value in accordance with the Company's accounting policies. Accordingly, the revaluation surplus of these property interests, other than investment properties, was not incorporated in our consolidated financial information as of June 30, 2017, and the revaluation surplus of investment properties would not lead to additional depreciation be charged to the consolidated statements of profit and loss.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity Shareholders of the Company to reflect our any trading results or other transactions entered into subsequent to June 30, 2017.

- (5) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 441,400,000 Shares in issue immediately following the completion of the proposed Share Subdivision and the Global Offering assuming that the proposed Share Subdivision and the Global Offering have been completed on June 30, 2017 but taking no account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (6) For illustrative purpose, the estimated net proceeds from the Global Offering are converted from the Hong Kong dollar into Renminbi at the exchange rate of HK\$1.00 to RMB0.84559, the exchange rate set by PBOC prevailing on December 19, 2017. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates.

December 29, 2017

The Board of Directors

Everbright Grand China Assets Limited
Rm 1501, 15/F, Malaysia Building
No. 50 Gloucester Rd,
Wanchai,
Hong Kong.

Dear Sirs,

In accordance with your instructions to value the properties held by Everbright Grand China Assets Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at October 31, 2017 (the “valuation date”).

We carried out our valuation on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We are given to understand that the property interests were owner-occupied, in vacant possession or subject to existing tenancies as at the valuation date. For the property interests which were owner occupied and in vacant possession, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. For the tenanted property interests, we have valued the property interests on the basis of capitalization of the net income derived from the existing tenancies with due allowance for reversionary income potential of the respective properties and where appropriate, also made reference to the comparable market transactions.

We prepared our valuation 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. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sales of the property interests.

Our report has not made any allowance for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificate, Real Estate Title Certificate and official plans relating to the property interests and have made relevant enquiries.

Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors — Tian Yuan Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. We have not taken any on-site measurement.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. We prepared our valuation on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, we have not made any structural survey, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. We have not carried out tests on any of the services.

Mr. Cliff Lau and Mr. Jack Chan carried out the inspections of the properties in January 2017 and July 2017. Mr. Cliff Lau has 25 years' experience in the valuation of properties in the PRC. Mr. Jack Chan is a member of RICS and HKIS with 15 years' experience in the valuation of properties in the PRC.

This valuation and its conclusions are necessarily based on information that the Group provided to us. We have no reason to doubt the truth or accuracy or completeness of that information, and we have no reason to suspect that any material information has been withheld. However, there is always a risk that this valuation and its conclusions are based on inaccurate or incomplete information. We are not responsible for any losses arising in relation to reliance on the valuation, or any part of it, in those circumstances.

Neither the whole nor any part of this report or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

This report is for the use only of the party to whom it is addressed, for the specific purposes to which it refers. We are not responsible for any losses arising in relation to reliance on the valuation, or any part of it, by any other party.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Landscape Christie's International Real Estate
Jack Y. H. Chan
MRICS MHKIS
Director

Landscape Christie's International Real Estate
Koh Keng Shing
MRICS FHKIS RPS (GP)
Chief Executive and Founder

Note: Jack Y. H. Chan is a Chartered Surveyor who has 15 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

Koh Keng Shing is a Chartered Surveyor who has 30 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region

SUMMARY OF VALUATION**Group I — Property interests held by the Group for investment in the PRC**

<u>No.</u>	<u>Property</u>	<u>Market value in existing state as at October 31, 2017</u>
1.	The First, Second, Third and Fourth Levels of Ming Chang Building, Renmin Road Central, Wuhua District, Kunming, Yunnan Province, The People's Republic of China.	RMB182,400,000
2.	The Second Basement, Third Basement, First, Second, Third and Fourth Level of Everbright International Mansion, No. 2 Caoshi Street, Qingyang District, Chengdu, Sichuan Province, The People's Republic of China.	RMB323,000,000
3.	The First Basement, Second Basement, Third Basement, 1st Floor to 23 rd Floor and 25 th Floor to 26 th Floor, Everbright Financial Center No. 9 Wenwu Road, Qingyang District, Chengdu, Sichuan Province, The People's Republic of China.	RMB340,200,000
4.	Block C9, D1 and H6, Dufu Garden, Wu Hou Qu, Long Zhua Cun, 10 Zu, 11 Zu, Chengdu, Sichuan Province, The People's Republic of China.	RMB21,200,000
	Sub-Total	RMB866,800,000

SUMMARY OF VALUATION**Group II — Property interests held by the Group for own occupation in the PRC**

<u>No.</u>	<u>Property</u>	<u>Market value in existing state as at October 31, 2017</u>
5.	24 th Floor, Everbright Financial Center, No. 9 Wenwu Road, Qingyang District, Chengdu, Sichuan Province, The People's Republic of China.	RMB9,800,000
	Sub-Total	RMB9,800,000

SUMMARY OF VALUATION**Group III — Property interests held by the Group for sale in the PRC**

<u>No.</u>	<u>Property</u>	<u>Market value in existing state as at October 31, 2017</u>
6.	Block D2 and D3, Dufu Garden, Wu Hou Qu, Long Zhua Cun, 10 Zu, 11 Zu, Chengdu, Sichuan Province, The People's Republic of China.	RMB14,000,000
	Sub-Total	RMB14,000,000

VALUATION CERTIFICATE

Group I — Property interests held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at October 31, 2017
1	The First, Second, Third and Fourth Levels of Ming Chang Building, Renmin Road Central, Wuhua District, Kunming, Yunnan Province, The People's Republic of China	<p>Ming Chang Building comprises two residential towers of 20-story and 14-story respectively erected upon a 4-story commercial podium on top of a two-level carparking basements.</p> <p>The subject property comprises the whole of the 4-story commercial podium of Ming Chang Building with an approximate gross floor area of 16,973.4 sq.m. (182,701.7 sq.ft.).</p> <p>The subject property is erected on a site of irregular shape with site area of approximately 1,712.1 sq.m. (18,429.0 sq.ft.), and was completed in 1997.</p> <p>The land use rights of the property have been granted for a term to be expired on September 22, 2064.</p>	<p>Portions of the property with an approximate gross floor area of 14,387.4 sq.m. (154,866.0 sq.ft.) are tenanted with various tenancies / supplemental tenancy, with the latest one to be expired on November 30, 2021. The total monthly rental receivable at the date of valuation is RMB774,208.6.</p> <p>The remaining portion of the property is owner occupied or for common use.</p>	RMB182,400,000

Notes:-

- (1) Ming Chang Building is situated on northern side of Renmin Middle Road at the portion bounded by Xing Hua Street on the west and Hu Guo Street on the east in Wuhua District of Kunming. The neighborhood area of Ming Chang Mansion is characterized predominately by office or composite buildings of various ages and heights. Public transportations are available along Renmin Middle Road which is about 2 to 3 minutes walking distance away from the subject property.
- (2) Pursuant to the State-owned Land Use Certificate Kun Pan Guo Yong (04) Di No. 0124071, the land use right of the portion 1,712.1 sq.m. has been granted to Brighter Win Limited for shopping arcade use for a term to be expired on September 22, 2064.
- (3) Pursuant to the Realty Title Certificate Kun Ming Shi Fang Quan Zheng Zi Di No. 9800687, Brighter Win Limited is in possession of the legal title of the subject property with a total gross floor area of approximately 16,973.4 sq.m. for shopping arcade use.
- (4) Our valuation has been made on the following basis:-
 - i. we have considered the actual rents of the property interests and also compared with similar developments as the subject property for the calculation of market unit sale price in considering the reversionary income potential after the expiry of the existing tenancies for occupied area and the vacant area;

- ii. the unit sale price of these comparable properties range from RMB7,830 per sq.m. to RMB11,630 per sq.m. on the gross floor area basis.
 - iii. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance conditions and other characters between the comparable properties and the property to arrive at the average market unit sale price. The average unit sale price we have assumed in our valuation is RMB 10,913 per sq.m.
- (5) We have been provided with a memorandum regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the followings:-
- i. Brighter Win Limited is in the possession of a proper legal title of the property, has the right to transfer, mortgage, let and dispose of the property and is entitled to transfer the residual term of its land use right in accordance with the relevant PRC laws and regulations at no extra premium or other onerous payment payable to the government.
 - ii. All land premium and other costs or charges have been settled in full.

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at October 31, 2017
2	The Second Basement, Third Basement, First, Second, Third and Fourth Level of Everbright International Mansion, No. 2 Caoshi Street, Qingyang District, Chengdu, Sichuan Province, The People's Republic of China	<p>Everbright International Mansion is a 7-story commercial complex erected upon three levels of basement.</p> <p>The subject property comprises various floors of Chengdu Everbright International Mansion with an approximate gross floor area of 38,198.6 sq.m. (411,169.7 sq.ft.).</p> <p>The subject property is erected on a site of irregular shape with site area of approximately 7,069.8 sq.m. (76,099.3 sq.ft.), and was completed in about 2005.</p> <p>The land use rights of the property have been granted for a term until June 24, 2044.</p>	<p>Portions of the subject property with an approximate gross floor area of 27,976.2 sq.m. (301,135.8 sq.ft.) are tenanted with various tenancies, with the latest one to be expired on January 9, 2027. The total monthly rental receivable at the date of valuation is RMB798,888.4.</p> <p>Portions of the subject property with an approximate gross floor area of 9,177.0 sq.m. (98,781.2 sq.ft.) are served as car parking purpose.</p> <p>The remaining portion of the property is vacant or for common use.</p>	RMB323,000,000

Notes:-

- (1) Everbright International Mansion is situated on north-western side of Caoshi Street at the portion bounded by Wenwu Road on the south-western and Tong Shun Qiao Street on the north-eastern in Qingyang District of Chengdu. The neighborhood area of Everbright International Mansion is characterized predominately by office or composite buildings of various ages and heights. Public transportations are available along Wenwu Road, which is about 2 to 3 minutes walking distance away from the subject property.
- (2) Pursuant to the State-owned Land Use Certificate Cheng Guo Yong (2014) Zi Di No. 372, the land use rights of a site with a total site area of approximately 7,069.8 sq.m. have been granted to Chengdu Guangda International Mansion Co. Ltd for commercial use until June 24, 2044.
- (3) Pursuant to the Realty Title Certificate Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2243710, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2243141, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2243144, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2243155, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2243165, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2243176, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2243130 and Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2243129, Chengdu Guangda International Mansion Co. Ltd is in possession of the legal title of the subject property with a total gross floor area of approximately 38,198.6 sq.m. for commercial, motor garage or warehouse use.
- (4) In the course of our valuation, we have attributed no commercial value to motor garage with a total gross floor area of 1,168.4 sq.m. as the local government do not issue realty title certificate to motor garage.

- (5) Pursuant to a Mortgage Contract 2010 Kai Yin Di Zi No. 002, except for the property under Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2243129, the property is subject to a mortgage in favor of Bank of China, Chengdu Kai Fa Xi Qu Branch as a security for a loan in the amount of RMB73,000,000.
- (6) Our valuation has been made on the following basis:-
- i. we have considered the actual rents of the property interests and also compared with similar developments as the subject property for the calculation of market unit sale price in considering the reversionary income potential after the expiry of the existing tenancies for occupied area and the vacant area;
 - ii. the unit sale price of these comparable properties range from RMB7,653 per sq.m. to RMB12,414 per sq.m. for office use and RMB30,000 per sq.m. to RMB39,394 per sq.m. for 1st floor retail use on the gross floor area basis;
 - iii. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance conditions and other characters between the comparable properties and the property to arrive at the average market unit sale price. The average unit sale price we have assumed in our valuation is RMB9,604 per sq.m..
- (7) We have been provided with a memorandum regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the followings:-
- i. Chengdu Guangda International Mansion Co. Ltd. is in the possession of a proper legal title of the property. Save as the mortgage mentioned in note 5 which will be forming limitation when disposing of the property, Chengdu Guangda International Mansion Co. Ltd. has the right to transfer, mortgage, let and dispose of the property and is entitled to transfer the residual term of its land use right in accordance with the relevant PRC laws and regulations at no extra premium or other onerous payment payable to the government.
 - ii. All land premium and other costs or charges have been settled in full.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at October 31, 2017
3	The First Basement, Second Basement, Third Basement, 1st Floor to 23rd Floor and 25th Floor to 26th Floor, Everbright Financial Center No. 9 Wenwu Road, Qingyang District, Chengdu, Sichuan Province, The People's Republic of China.	<p>Everbright Financial Center is a 26-story office building erected upon three levels of basement with an approximate gross floor of 34,334.5 sq.m. (369,576.6 sq.ft.).</p> <p>The subject property comprises three levels of basements and twenty five levels of offices in the Everbright Financial Center with an approximate gross floor of 33,356.7 sq.m. (359,051.5 sq.ft.).</p> <p>The subject property is erected on a site with site area of approximately 2,455.5 sq.m. (26,431.0 sq.ft.), and was completed in about 2009.</p> <p>The land use rights of the property have been granted for a term until June 24, 2044.</p>	<p>Portion of the subject property with an approximate gross floor area of 25,353.9 sq.m. (272,909.4 sq.ft.) are tenanted with various tenancies, with the latest one to be expired on May 31, 2022. The total monthly rental receivable at the date of valuation is RMB1,902,849.9.</p> <p>The remaining portion of the property is vacant or for common use.</p>	RMB340,200,000

Notes:-

- (1) Everbright Financial Center is situated on north-eastern side of Wenwu Road at the portion bounded by Caoshi Street on the north-eastern and Yinsi Street on the north-western in Qingyang District of Chengdu. The neighborhood area of Everbright Financial Center is characterized predominately by office or composite buildings of various ages and heights. Public transportations are available along Wenwu Road, which is about 2 to 3 minutes walking distance away from the subject property.
- (2) Pursuant to the State-owned Land Use Certificate Cheng Guo Yong (2009) Zi Di No. 626, the land use rights of a site with site area of approximately 2,455.5 sq.m. have been granted to Chengdu Everbright Finance Center Development Co. Ltd. for commercial or office purpose until June 24, 2044.
- (3) Pursuant to the Realty Title Certificate Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015286, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015171, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015228, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015251, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015243, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015241, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015236, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015232, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015231, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015246, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015227, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015224, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015220, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015218, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015213, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015210, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015208, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015206, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015205, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015202, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015197, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015189, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015187, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015176 and Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015175, Chengdu Everbright Finance Center Development Co. Ltd. is in possession of the legal title of the subject property with a total gross floor area of approximately 33,356.7 sq.m. for commercial / office / warehouse use.

- (4) In the course of our valuation, we have attributed no commercial value to motor garage with a total gross floor area of 751.7 sq.m. and fire escape route with a total gross floor area of 365.4 sq.m. as the local government do not issue realty title certificate to motor garage.
- (5) Pursuant to Mortgage Contract Bo Cheng Fen Di Dai (2009) Di No. 8, the subject property is subject to a mortgage in favor of China Bohai Bank Company Limited, Chengdu Branch as a security for a loan in the amount of RMB59,400,000.
- (6) Our valuation has been made on the following basis:-
- i. we have considered the actual rents of the property interests and also compared with similar developments as the subject property for the calculation of market unit sale price in considering the reversionary income potential after the expiry of the existing tenancies for occupied area and the vacant area;
 - ii. the unit sale price of these comparable properties range from RMB7,653 per sq.m. to RMB12,414 per sq.m. on the gross floor area basis.
 - iii. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance conditions and other characters between the comparable properties and the property to arrive at the average market unit sale price. The average unit sale price we have assumed in our valuation is RMB9,977 per sq.m.
- (7) We have been provided with a memorandum regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the followings:-
- i. Chengdu Everbright Finance Center Development Co. Ltd. is in the possession of a proper legal title of the property. Save as the mortgage mentioned in note 5 which will be forming limitation when disposing of the property, Chengdu Everbright Finance Center Development Co. Ltd. has the right to transfer, mortgage, let and dispose of the property and is entitled to transfer the residual term of its land use right in accordance with the relevant PRC laws and regulations at no extra premium or other onerous payment payable to the government.
 - ii. All land premium and other costs or charges have been settled in full.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at October 31, 2017
4	Block C9, D1 and H6, Dufu Garden, Wu Hou Qu, Long Zhua Cun, 10 Zu, 11 Zu, Chengdu, Sichuan Province, The People's Republic of China.	<p>Dufu Garden is a low rise residential development comprises of villas, townhouses and apartments.</p> <p>The property comprises the three villas with approximate gross floor area of 1,241.8 sq.m. (13,358.1 sq.ft.)</p> <p>The development is erected on a site of approximately 59,247.0 sq.m. (637,734.7 sq.ft.), and was completed in about 2007.</p> <p>The land use rights of the property have been granted for a term to be expired on April 18, 2065.</p>	The property is tenanted with various tenancies, with the latest one to be expired on July 24, 2023. The total monthly rental receivable at the date of valuation is RMB32,907.5.	RMB21,200,000

Notes:-

- (1) Dufu Garden is situated on northern side of Longteng Road in Wuhou District of Chengdu. The neighborhood area of Dufu Garden is characterized predominately by residential developments of various ages and heights. Public transportations are available along Longteng Road, which is about 3 to 5 minutes walking distance away from the subject property.
- (2) Pursuant to the State-owned Land Use Certificate Cheng Guo Yong (2002) Zi Di No. 021, the land use rights of a site with a total site area of approximately 59,247.0 sq.m. have been granted to Chengdu Sing Kong City Real Estate Company Limited for residential development unit April 18, 2065.
- (3) Pursuant to the Realty Title Certificate Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di No. 0683421, Cheng Fang Quan Zheng Jian Zheng Zi Di No. 1617303 and Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di No. 0528584, Chengdu Sing Kong City Real Estate Company Limited is in possession of the legal title of the subject property with a total gross floor area of approximately 1,241.8 sq.m. for residential use.
- (4) Pursuant to a contract between Chengdu Sing Kong City Real Estate Company Limited and Chengdu Main Road Construction Command Center, properties related to Realty Title Certificate Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di No. 0528584 and Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di No. 0683421 with a total gross floor area of 944.5 sq.m. is subject to a mortgage in favor of Chengdu Main Road Construction Command Center. However, according to the Civil Judgment (2017 Chuan 01 Min Zhong 362 Hao) dated March 10, 2017, the Intermediate People's Court of Chengdu ruled that the abovementioned mortgage is released and Chengdu Main Road Construction Command Center is required to apply for the cancelation of the mortgage within 10 days from the abovementioned judgment.
- (5) Pursuant to the Realty Title Certificate Cheng Fang Quan Zheng Jian Zheng Zi Di No. 1713072, Chengdu Sing Kong City Real Estate Company Limited is also in possession of the legal title of a total gross floor area of approximately 2,605.9 sq.m. for car park, commercial or office use in Dufu Garden. However, according to the Company's PRC legal advisors, the abovementioned 2,605.9 sq.m. of gross floor area had been disposed.
- (6) Our valuation has been made on the following basis:-
 - i We have considered the actual rents of the property interests and also compared with similar developments as the subject property for the calculation of market unit sale price in considering the reversionary income potential after the expiry of the existing tenancies for occupied area and the vacant area;

- ii The unit sale price of these comparable properties range from RMB14,000 per sq.m. to RMB15,241 per sq.m. for townhouses and RMB24,138 per sq.m. to RMB33,898 per sq.m. for villas on the gross floor area basis.
 - iii Appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance conditions and other characters between the comparable properties and the property to arrive at the average market unit sale price. The average unit sale price we have assumed in our valuation is RMB20,500 per sq.m.
- (7) We have been provided with a memorandum regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the followings:-
- i. Chengdu Sing Kong City Real Estate Company Limited is in the possession of a proper legal title of the property. Save as the mortgage mentioned in note 4 which will be forming limitation when disposing of the property, Chengdu Sing Kong City Real Estate Company Limited has the right to transfer, mortgage, let and dispose of the property and is entitled to transfer the residual term of its land use right in accordance with the relevant PRC laws and regulations at no extra premium or other onerous payment payable to the government.
 - ii. All land premium and other costs or charges have been settled in full.

VALUATION CERTIFICATE

Group II — Property interests held by the Group for own occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at October 31, 2017
5	24 th Floor, Everbright Financial Center No. 9 Wenwu Road, Qingyang District, Chengdu, Sichuan Province, The People's Republic of China.	<p>Everbright Financial Center is a 26-story office building erected upon three levels of basement with an approximate gross floor of 34,334.5 sq.m. (369,576.6 sq.ft.).</p> <p>The subject property comprises one level of office in the Everbright Financial Center with an approximate gross floor of 977.8 sq.m. (10,525.0 sq.ft.).</p> <p>The subject property is erected on a site with site area of approximately 2,455.5 sq.m. (26,431.0 sq.ft.), and was completed in about 2009.</p> <p>The land use rights of the property have been granted for a term until June 24, 2044.</p>	The subject property is owner occupied	RMB9,800,000

Notes:-

- (1) Everbright Financial Center is situated on north-eastern side of Wenwu Road at the portion bounded by Caoshi Street on the north-eastern and Yinsi Street on the north-western in Qingyang District of Chengdu. The neighborhood area of Everbright Financial Center is characterized predominately by office or composite buildings of various ages and heights. Public transportations are available along Wenwu Road, which is about 2 to 3 minutes walking distance away from the subject property.
- (2) Pursuant to the State-owned Land Use Certificate Cheng Guo Yong (2009) Zi Di No. 626, the land use rights of a site with site area of approximately 2,455.5 sq.m. have been granted to Chengdu Everbright Finance Center Development Co. Ltd. for commercial or office purpose until June 24, 2044.
- (3) Pursuant to the Realty Title Certificate Cheng Fang Quan Zheng Jian Zheng Zi Di No. 2015185, Chengdu Everbright Finance Center Development Co. Ltd. is in possession of the legal title of the subject property with a total gross floor area of approximately 977.8 sq.m. for office use.
- (4) Pursuant to Mortgage Contract Bo Cheng Fen Di Dai (2009) Di No. 8, the subject property is subject to a mortgage in favor of China Bohai Bank Company Limited, Chengdu Branch as a security for a loan in the amount of RMB59,400,000.
- (5) Our valuation has been made on the following basis:-
 - i. we have compared with similar developments as the subject property for the calculation of market unit sale price;
 - ii. the unit sale price of these comparable properties range from RMB7,653 per sq.m. to RMB12,414 per sq.m. on the gross floor area basis.

- iii. appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance conditions and other characters between the comparable properties and the property to arrive at the average market unit sale price. The average unit sale price we have assumed in our valuation is RMB9,992 per sq.m.
- (6) We have been provided with a memorandum regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the followings:-
- i. Chengdu Everbright Finance Center Development Co. Ltd. is in the possession of a proper legal title of the property, Save as the mortgage mentioned in note 4 which will be forming limitation when disposing of the property, Chengdu Everbright Finance Center Development Co. Ltd. has the right to transfer, mortgage, let and dispose of the property and is entitled to transfer the residual term of its land use right in accordance with the relevant PRC laws and regulations at no extra premium or other onerous payment payable to the government.
 - ii. All land premium and other costs or charges have been settled in full.

VALUATION CERTIFICATE

Group III — Property interests held by the Group for sale in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at October 31, 2017
6	Block D2 and D3, Dufu Garden, Wu Hou Qu, Long Zhua Cun, 10 Zu, 11 Zu, Chengdu, Sichuan Province, The People's Republic of China.	<p>Dufu Garden is a low rise residential development comprises of villas, townhouses and apartments.</p> <p>The property comprises the two villas with approximate gross floor area of 879.6 sq.m. (9,468.0 sq.ft.)</p> <p>The development is erected on a site of approximately 59,247.0 sq.m. (637,734.7 sq.ft.), and was completed in about 2007.</p> <p>The land use rights of the property have been granted for a term to be expired on April 18, 2065.</p>	<p>The property is tenanted with various tenancies, with the latest one to be expired on February 17, 2027. The total monthly rental receivable at the date of valuation is RMB30,000.0.</p>	RMB14,000,000

Notes:-

- (1) Dufu Garden is situated on northern side of Longteng Road in Wuhou District of Chengdu. The neighborhood area of Dufu Garden is characterized predominately by residential developments of various ages and heights. Public transportations are available along Longteng Road, which is about 3 to 5 minutes walking distance away from the subject property.
- (2) Pursuant to the State-owned Land Use Certificate Cheng Guo Yong (2002) Zi Di No. 021, the land use rights of a site with a total site area of approximately 59,247.0 sq.m. have been granted to Chengdu Sing Kong City Real Estate Company Limited for residential development unit April 18, 2065.
- (3) Pursuant to the Realty Title Certificate Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di No. 0683415, Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di No. 0683419 and Cheng Fang Quan Zheng Jian Zheng Zi Di No. 1617288, Chengdu Sing Kong City Real Estate Company Limited is in possession of the legal title of the subject property with a total gross floor area of approximately 879.6 sq.m. for residential use.
- (4) Pursuant to the Realty Title Certificate Cheng Fang Quan Zheng Jian Zheng Zi Di No. 1713072, Chengdu Sing Kong City Real Estate Company Limited is also in possession of the legal title of a total gross floor area of approximately 2,605.9 sq.m. for car park, commercial or office use in Dufu Garden. However, according to the Company's PRC legal advisors, the abovementioned 2,605.9 sq.m. of gross floor area had been disposed.
- (5) Our valuation has been made on the following basis:-
 - i We have considered the actual rents of the property interests and also compared with similar developments as the subject property for the calculation of market unit sale price in considering the reversionary income potential after the expiry of the existing tenancies for occupied area and the vacant area;
 - ii The unit sale price of these comparable properties range from RMB14,000 per sq.m. to RMB15,241 per sq.m. for townhouses and RMB24,138 per sq.m. to RMB33,898 per sq.m. for villas on the gross floor area basis.

- iii Appropriate adjustments and analysis are considered to the differences in location, decoration, maintenance conditions and other characters between the comparable properties and the property to arrive at the average market unit sale price. The average unit sale price we have assumed in our valuation is RMB20,500 per sq.m.
- (6) We have been provided with a memorandum regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the followings:-
- i. Chengdu Sing Kong City Real Estate Company Limited is in the possession of a proper legal title of the property, has the right to transfer, mortgage, let and dispose of the property and is entitled to transfer the residual term of its land use right in accordance with the relevant PRC laws and regulations at no extra premium or other onerous payment payable to the government.
 - ii. All land premium and other costs or charges have been settled in full.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY

1 Memorandum of Association

The Memorandum of Association of our Company was conditionally adopted on December 15, 2017 and states, inter alia, that the liability of the members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in “Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection”.

2 Articles of Association

The Articles of Association of our Company were conditionally adopted on December 15, 2017 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of our Company consists of ordinary shares. The authorized share capital of our Company at the date of adoption of the Articles is US\$400,000,000 divided into 4,000,000,000 shares of a par value of US\$0.10 each.

2.2 Directors**(a) Power to allot and issue Shares**

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in our Company (whether forming part of its original or any increased capital) shall be at the disposal of our Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as our Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as our Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of our Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of our Company or any subsidiary

The management of the business of our Company shall be vested in our Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by

our Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by our Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by our Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of our Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must first be approved by our Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase shares*

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in our Company or any such subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with our Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to our Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by our Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of our Directors in respect of any contract or arrangement or any other proposal in which our Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in

the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
 - (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where our Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which our Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (v) any contract or arrangement in which our Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.
- (g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Directors, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst our Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Our Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

Our Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of our Company shall from time to time be fixed by our Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as our Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

Our Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of our Company and shall then be eligible for re-election at that meeting.

Our Company may by ordinary resolution remove any Director (including a managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between our Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). Our Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as our Director in whose place he is appointed would have held the same if he had not been removed. Our Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of our Company and shall then be eligible for re-election but shall not be taken into account in determining our Directors who are to retire by rotation at such meeting. No person shall, unless recommended by our Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the secretary of our Company notice in writing by a member of our Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to our Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and our Directors resolve that his office be vacated;

- (iii) if, without leave, he is absent from meetings of our Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and our Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of our Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of our Company under the Articles of Association.

At every annual general meeting of our Company one-third of our Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Our Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

Our Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or

abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

Our Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Our Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, our Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by our Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares.

Our Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes

of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of our Company entitled to vote at a general meeting of our Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of our Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of our Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of our Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by our Directors, no person other than a member of our Company duly registered and who shall have paid all sums for the time being due from him payable to our Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of our Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of our Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of our Company or at any general meeting of any class of members of our Company provided that, if more than

one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of our Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

Our Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Hong Kong Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

Our Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

Our Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of our Company, or any of them, shall be open to the inspection by members of our Company (other than officers of our Company) and no such member shall have any right of inspecting any accounts or books or documents of our Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by our Directors or by our Company in general meeting.

Our Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of our Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of our Company and, in any other case, since the preceding account, together with a balance sheet as of the date to which the profit and loss account was made up and a Director's report with respect to the profit or loss of our Company for the period covered by the profit and loss account and the state of our Company's affairs as of the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of our Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of our Company and every holder of debentures of our Company provided that our Company shall not be required to send copies of those documents to any person of whose address our Company is not aware or to more than one of the joint holders of any shares or debentures.

Our Company shall at every annual general meeting appoint an auditor or auditors of our Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by our Company at the annual general meeting at which they are appointed provided that in respect of any particular year our Company in general meeting may delegate the fixing of such remuneration to our Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of

the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of our Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from our Company).

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as our Directors may approve which is consistent with the standard form of transfer as prescribed by the Hong Kong Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless our Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof. All instruments of transfer shall be retained by our Company.

Our Directors may refuse to register any transfer of any share which is not fully paid up or on which our Company has a lien. Our Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with our Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as our Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of our Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Hong Kong Stock Exchange may from time to time determine to be payable (or such lesser sum as our Directors may from time to time require) is paid to our Company in respect thereof.

If our Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Hong Kong Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of our Company closed at such times for such periods as our Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and our Directors may only exercise this power on behalf of our Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

2.13 Power of any subsidiary of our Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by our Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

Our Directors may from time to time pay to the members of our Company such interim dividends as appear to our Directors to be justified by the profits of our Company. Our Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

Our Directors may retain any dividends or other monies payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Our Directors may also deduct from any dividend or other monies payable to any member of our Company all sums of money (if any) presently payable by him to our Company on account of calls, installments or otherwise.

No dividend shall carry interest against our Company.

Whenever our Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, our Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of our Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of our Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. Our Company may upon the recommendation of our Directors by ordinary resolution resolve in respect of any one particular dividend of our Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of our Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of our Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of our Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of our Company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to our Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Our Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to our Company.

Our Directors may, with the sanction of the members of our Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution our Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of our Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of our Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to our Directors.

2.15 Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of our Company.

Instruments of proxy shall be in common form or in such other form as our Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by our Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of our Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

Our Directors may from time to time make calls upon the members of our Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of our Company shall (subject to our Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as our Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of our Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as our Directors may determine, but our Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, our Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of our Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of our Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of our Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to our Company all monies which at the date of forfeiture were payable by him to our Company in respect of the shares, together with (if our Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as our Directors may prescribe from the date of forfeiture until payment, and our Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of our Company shall be kept in such manner as to show at all times the members of our Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Hong Kong Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as our Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as our Directors may impose) be open to inspection by any member of our Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as our Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of our Company present in person or by proxy shall be a quorum provided always that if our Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of our Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person

appointed by resolution of our directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

The quorum for a separate general meeting of the holders of a separate class of shares of our Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If our Company shall be wound up, and the assets available for distribution amongst the members of our Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of our Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of our Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If our Company shall be wound up, the liquidator may with the sanction of a special resolution of our Company and any other sanction required by the Companies Law, divide amongst the members of our Company in specie or kind the whole or any part of the assets of our Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of our Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of our Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of our Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

Our Company shall be entitled to sell any shares of a member of our Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) our Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, our Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Hong Kong Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANIES LAW AND TAXATION**1 Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

Our Company was incorporated in the BVI on August 2, 2000 and transferred by way of continuation into the Cayman Islands as an exempted company with limited liability on September 15, 2016 under the Companies Law. As such, our Company must conduct its operations mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special

resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting

shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company may obtain an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of our Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to our Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, our Company's legal advisors on Cayman Islands law, have sent to our Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents available for inspection". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the BVI on August 2, 2000 and transferred by way of continuation into the Cayman Islands as an exempted company with limited liability on September 15, 2016 under the name of “Everbright Grand China Assets Limited 光大永年有限公司”.

Our Company was registered as a non-Hong Kong company as defined in the Companies Ordinance on April 10, 2017 and our principal place of business in Hong Kong is at Room 1501, 15th Floor, Malaysia Building, 50 Gloucester Road, Wan Chai, Hong Kong. Baker & McKenzie of 1401 Hutchison House, 10 Harcourt Road, Hong Kong was appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company has been transferred by way of continuation into the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands and our Company’s constitution which comprises the Memorandum of Association and Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and our constitution is set out in “Appendix IV — Summary of the Constitution of Our Company and Cayman Islands Companies Law” to this prospectus.

2. Changes in share capital of our Company

Our Company was incorporated with an authorized share capital of US\$50,000.00 divided into 50,000 shares with a par value of US\$1.00 each.

On September 1, 2000, our Company allotted and issued and Capital Century, our then sole shareholder, subscribed for 50,000 shares for a consideration of US\$50,000.00.

On December 23, 2010, the authorized share capital of our Company was increased from US\$50,000 to US\$40,000,000 divided into 40,000,000 shares of US\$1.00 each. On the same day, our Company allotted and issued, and Capital Century subscribed for, an additional 33,050,000 shares, fully paid at par value for a consideration of US\$33,050,000. As a result, Capital Century held an aggregate of 33,100,000 shares in our Company.

On January 3, 2017, Capital Century transferred 90% and 10% of the total issued shares in the capital of our Company to Lucky Link and Top Charm, respectively. As a result, Lucky Link and Top Charm held 29,790,000 and 3,310,000 shares in our Company, respectively.

Pursuant to the resolutions of our Shareholders passed on December 15, 2017, our Company will subdivide its authorized share capital by subdividing each of its issued and unissued shares into ten shares. Following such Share Subdivision, our Company’s authorized share capital will be US\$40,000,000 divided into 400,000,000 Shares of a par value of US\$0.10 each. Subsequent to the Share Subdivision, the authorized share capital of our Company will increase from US\$40,000,000 divided into 400,000,000 Shares to US\$400,000,000 divided into 4,000,000,000 Shares. The total number of issued shares will be 331,000,000 Shares, which will be held by Lucky Link and Top Charm as to 90% and 10%, respectively.

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account the exercise of the options which may be granted under the Post-IPO Share Option Scheme, the authorized share capital of our Company will be US\$400,000,000 divided into 4,000,000,000 Shares, of which 441,400,000 Shares will be in issue and fully paid or credited as fully paid,

and 3,558,600,000 Shares will remain unissued. Other than the Global Offering, the Over-allotment Option, or any option which may be granted under the Post-IPO Share Option Scheme, our Company does not have any present intention to issue any of the authorized but unissued share capital, and no issue of Shares will be made which would effectively alter the control of our Company within 12 months from the Listing Date.

Save as disclosed herein in this appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries

Particulars of our subsidiaries are set out in “Appendix I — Accountants’ Report” to this prospectus.

There was alteration in the share capital of only one of our subsidiaries within the two years immediately preceding the date of this prospectus. The registered capital of Property Management, one of our indirectly wholly-owned subsidiaries, was increased from RMB500,000 to RMB1,023,971.74 on April 18, 2016.

Save as disclosed above, there has been no other alteration in the share capital of our subsidiaries in the two years immediately preceding the date of this prospectus.

4. Resolution in writing of our Shareholders passed on December 15, 2017

By written resolutions of our Shareholders passed on December 15, 2017, the following resolutions, among other things, were duly passed:

- (a) conditional upon (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Directors (or a committee of the Directors); (cc) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and (dd) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times):
 - i. each of the existing issued and unissued ordinary shares with a par value of US\$1.00 each in the share capital of our Company be subdivided into 10 ordinary shares with a par value of US\$0.10 each, and all the subdivided Shares be ranked *pari passu* in all respects with each other, such that thereafter, the authorized share capital of our Company become US\$40,000,000 divided into 400,000,000 Shares with a par value of US\$0.10 each;
 - ii. the authorized share capital of our Company be increased from US\$40,000,000 divided into 400,000,000 Shares of US\$0.10 each to US\$400,000,000 divided into 4,000,000,000 Shares of US\$0.10 each, by creation of an additional 3,600,000,000 Shares to rank *pari passu* in all respects with the Shares then existing;
 - iii. the Global Offering, subject to such adjustment and/or reallocation and the Over-allotment Option, on and subject to the terms and conditions of this prospectus and the related Application Forms and the proposed allotment and issue of the Offer Shares under the Global Offering, be approved and our Directors (or any committee thereof) be authorized to approve

any appropriate adjustments and to finalize the structure of the Global Offering and the allotment and issue of new Shares (such Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares) pursuant thereto;

- iv. the Over-allotment Option and the proposed allotment and issue of the Shares pursuant to the exercise of the Over-allotment Option be approved; and
 - v. the rules of the Post-IPO Share Option Scheme be approved and adopted, and our Directors be authorized, at their sole discretion, to, among other things, (i) administer the Post-IPO Share Option Scheme; (ii) modify/ amend the rules of the Post-IPO Share Option Scheme from time to time as requested by the Hong Kong Stock Exchange; (iii) grant options to subscribe for Shares under the Post-IPO Share Option Scheme; (iv) allot, issue and deal with the Shares pursuant to the exercise of any option which may be granted under the Post-IPO Share Option Scheme; and (v) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Post-IPO Share Option Scheme;
- (b) a general unconditional mandate be given to our Directors to exercise during the Relevant Period (as defined below) all powers of our Company to allot, issue and deal with the securities (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued during or after the Relevant Period), otherwise than pursuant to (aa) an issue of Shares under the Global Offering; (bb) a Rights Issue (as defined below); (cc) an issue of the Shares upon exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into the Shares; (dd) any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Memorandum and the Articles; (ee) the exercise of any option which may be granted under the Post-IPO Share Option Scheme or under any option scheme or other similar arrangements for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares; or (ff) a specific authority granted by our Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following completion of the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Post-IPO Share Option Scheme);
- (c) a general unconditional mandate be given to our Directors to exercise during the Relevant Period all powers of our Company to repurchase on the Hong Kong Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of issued Shares immediately following completion of the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Post-IPO Share Option Scheme);
- (d) subject to the availability of unissued share capital and conditional upon the resolutions in paragraphs (b) and (c) above being passed, the number of Shares which are repurchased by our Company pursuant to and in accordance with the general unconditional mandate as mentioned in paragraph (c) above be added to the number of Shares that may be allotted or that is agreed conditionally or unconditionally to be allotted by our Directors pursuant to and in accordance with the general unconditional mandate as mentioned in paragraph (b) above; and
- (e) the Memorandum of Association and the Articles of Association be approved and adopted with effect from the Listing Date.

For the purposes of paragraph (b) above, “**Rights Issue**” means an offer of the Shares or issue of options, warrants or other securities giving the right to subscribe for the Shares open for a period fixed by our Directors to holders of the Shares whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as our Directors may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to our Company).

For the purposes of paragraphs (b) and (c) above, “**Relevant Period**” means the period from the passing of the relevant resolutions until whichever is the earliest of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or any other applicable laws the Cayman Islands to be held; and (3) the revocation, variation or renewal of the authority given under the relevant resolutions by an ordinary resolution of our Shareholders in general meeting.

5. Reorganization

Our Group underwent the Reorganization in preparation for the listing of our Shares on the Hong Kong Stock Exchange. For information relating to the Reorganization, see “History, Reorganization and Group Structure — Reorganization”.

6. Summary of our material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:


- (a) an instrument of transfer and the bought and sold notes, both dated May 30, 2016, entered into between Growing China (as transferor) and Capital Century (as transferee) in respect of the transfer of 10,000 shares in Everbright Century from Growing China to Capital Century in consideration of HK\$10,000;
- (b) an instrument of transfer and the bought and sold notes, both dated January 19, 2017 entered into between Acota Services Limited (as transferor) and Growing China (as transferee) in respect of the transfer of one share in Eastmate from Acota Services Limited to Growing China in consideration of HK\$1.00;
- (c) the Non-competition Undertaking; and
- (d) the Hong Kong Underwriting Agreement.

7. Intellectual Property Rights of our Group

As of the Latest Practicable Date, our Group had registered or had obtained the license of the following intellectual property rights which are material to our business:


(a) Trademarks

- (i) Our Company had obtained a non-exclusive right granted indirectly by China Everbright Group, through CE Hong Kong, to use the following trade names and trademarks that are registered in the name of China Everbright Group and that are considered material in relation to our Group's business:

Trade name/ Trademark	Ownership Group	Territory of Registration	Registration Number	Class	Term
中國光大 中国光大	China Everbright Group	Hong Kong	200200154AA	4, 5, 9	September 15, 1999 to September 15, 2026
中國光大 中国光大	China Everbright Group	Hong Kong	200200155AA	36, 37, 38, 39, 40, 41, 42	September 15, 1999 to September 15, 2026
CHINA EVERBRIGHT	China Everbright Group	Hong Kong	2002B11241AA	4, 5, 36, 37, 38, 39, 40, 41, 42	September 15, 1999 to September 15, 2026
CHINA EVERBRIGHT	China Everbright Group	Hong Kong	2002B13645	9	September 15, 1999 to September 15, 2026
	China Everbright Group	Hong Kong	2001B01313AA	4, 5, 9, 36, 37, 38, 39, 40, 41, 42	September 15, 1999 to September 15, 2026

- (ii) Our Company had obtained a non-exclusive right granted directly by China Everbright Group to use the following trade names and trademarks that are registered in the name of China Everbright Group and that are considered material in relation to our Group's business:

Trade name/ Trademark	Ownership Group	Territory of Registration	Registration Number	Class	Term
光大	China Everbright Group	PRC	813804	36	February 7, 2016 to February 6, 2026

Trade name/ Trademark	Ownership Group	Territory of Registration	Registration Number	Class	Term
EVERBRIGHT	China Everbright Group	PRC	3377826	36	September 21, 2014 to September 20, 2024
	China Everbright Group	PRC	813805	36	February 7, 2016 to February 6, 2026

(iii) Our Company had obtained registration of the following trademark which we consider to be material in relation to our Group's business:

Trade name/ Trademark	Ownership Group	Territory of Application	Application Number	Class	Application Date
永年	Our Company	Hong Kong	304056543	36	February 23, 2017

The class numbers represent the specifications of products or services which have already been registered. Detailed specifications of the products or services represented by that class number are set out in the relevant registration certificates.

For details of the above trademark license agreements, see “Connected Transactions — Fully Exempt Continuing Connected Transactions — Hong Kong Trademark License Agreement” and “— PRC Trademark License Agreement”.

(b) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain name:

Domain Name	Date of Registration	Expiry Date
ebgca.com.hk	September 7, 2016	September 6, 2018

B. REPURCHASES OF OUR SHARES

This sub-section sets out information relating to the repurchase of the Shares, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchase:

1. Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their own securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholder's approval

All proposed repurchases of shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on December 15, 2017, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorizing them to repurchase for and on behalf of our Company on the Hong Kong Stock Exchange or on any other stock exchange on which our Company’s securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, such number of shares representing up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding the shares which may be issued under the Over-allotment Option and the options that may be granted under the Post-IPO Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next general meeting of our Company is required by an applicable law or the Articles of Association to be held or when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(b) Source of funds

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Any repurchase by our Company may be made out of the profits of our Company or out of a fresh issue of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Companies Law, out of capital and, in the case of premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the Companies Law, out of capital.

(c) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of the Shares in issue immediately after the completion of the Global Offering (excluding the Shares which may be issued under the Over-allotment Option and the options that may be granted under the Post-IPO Share Option Scheme). Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Hong Kong Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require. Our Company also shall not repurchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Hong Kong Stock Exchange.

(d) Status of repurchased shares

All repurchased shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be canceled and destroyed. Under the Cayman Islands law, a company’s repurchased shares shall be treated as canceled and the amount of the company’s issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(e) Suspension of repurchase

Pursuant to the Listing Rules, our Company shall not repurchase any Shares after an inside information event has come to our knowledge until the inside information has been made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company shall not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional. In addition, the Hong Kong Stock Exchange may prohibit a repurchase of the shares on the Hong Kong Stock Exchange if our Company has breached the Listing Rules.

(f) Reporting requirements

As required by the Listing Rules, certain information relating to repurchases of shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which our Company may make a purchase of shares, reporting the total number of shares purchased the previous day, the purchase price per share or the highest and lowest prices paid for such purchases, where relevant. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of Shares repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid. The directors' report shall contain reference to the purchases made during the year and the reasons for making such purchases.

(g) Core connected persons

Our Company is prohibited from knowingly repurchasing the Shares from a "core connected person" (that is, a director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate of any of them) and a connected person is prohibited from knowingly selling his/her/its securities to our Company, on the Hong Kong Stock Exchange.

2. Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have the general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

3. Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our Company's working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 441,400,000 Shares in issue immediately after the Global Offering (assuming that the Over-allotment Option is not exercised and none of the options that may be granted under the Post-IPO Share Option Scheme is exercised), could accordingly result in up to 44,140,000 Shares being repurchased by our Company during the period until (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by to be held pursuant to the Cayman Islands law or the Articles of Association; or (3) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of Shareholders in a general meeting, whichever occurs first (the "**Relevant Period**"). If the Over-allotment Option is exercised in full (but assuming none of the options that may be granted under the Post-IPO Share Option Scheme is exercised), the exercise in full of the Repurchase Mandate on the basis of 457,960,000 Shares in issue immediately after the Global Offering could result in up to 45,796,000 Shares being repurchased by our Company during the Relevant Period.

(a) General

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Group is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could, depending on the level of increase of the Shareholders' interest, obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code as a result of any such increase. Save for the aforesaid, our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the Global Offering (but not taking into account the Shares which may be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 44,140,000 Shares (being 10% of the total number of Shares in issue based on the aforesaid assumptions). The percentage shareholding of China Everbright Group, CE Hong Kong, Capital Century and Lucky Link will be increased to approximately 83.32%, 83.32%, 83.32% and 74.99% of the total number of Shares in issue respectively immediately following the full exercise of the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the grant of waiver by the Hong Kong Stock Exchange of our strict compliance with requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell any Shares to our Group, or has undertaken not to do so, if the Repurchase Mandate is exercised.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Director's service contracts

(a) Executive Directors, non-executive Directors and independent non-executive Directors

Each of our executive Directors and non-executive Directors has entered into a service contract with our Company regarding his or her appointment as an executive Director or a non-executive Director respectively for a term of three years commencing from the Listing Date. Either party has the right to terminate the agreement by giving at least three months' written notice.

Each of the independent non-executive Directors has also entered into a service contract with our Company regarding his appointment as an independent non-executive Director for a term of three years commencing from the Listing Date, which shall be renewed as determined by our Board or our Shareholders. The appointment of each of the independent non-executive Directors may be terminated by either party giving at least three months' written notice. The appointments are subject to the provisions of the Articles of Association with regard to vacating the office of Directors, removal and retirement by rotation of Directors. The director's remuneration fee for each of our independent non-executive Directors is HK\$216,000 per annum. Save for director's fee, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) Remuneration of Directors

Directors' emoluments of approximately RMB1.37 million, RMB1.51 million, RMB1.94 million and RMB0.52 million in aggregate were paid to our Directors in respect of the years ended December 31, 2014, 2015 and 2016, and the six months ended June 30, 2017, respectively.

After the Listing, our Directors will be entitled to receive emoluments from our Company, and the Directors' emoluments for the year ending December 31, 2017 are expected to be approximately RMB1.58 million in aggregate (in the form of salaries including bonuses and our contributions to the pension plan in their capacity as employees according to the law of the relevant jurisdiction).

As our non-executive Directors are also acting as directors and management officers in various subsidiaries of China Everbright Group (other than our Group), they are also entitled to receive compensation from CE Hong Kong. Insofar as it relates to Mr. Liu Jia, our chairman and chief executive officer, he is our executive Director entitled to receive certain benefits (such as insurance coverage) from Capital Century in the sums of approximately HK\$440,000 for each of the three years ended December 31, 2014, 2015 and 2016, and approximately HK\$220,000 for the six months ended June 30, 2017, which will continue to accrue after the Listing, in addition to our Directors' emoluments which will be payable by our Company.

There was no arrangement under which a Director had waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

2. Disclosure of interests

(a) Directors' interests and short positions of our Directors in the share capital and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering (but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme), none of our Directors held any interest or short position in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed.

(b) Substantial Shareholders

- (i) For information on the persons (other than a director or chief executive of our Company) who will, so far as is known to our Director or chief executive of our Company, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of any options that may be granted under the Post-IPO Share Option Scheme), have or be deemed or taken to have an interest and/or short position in the shares or the underlying shares of our Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, see "Substantial Shareholders".
- (ii) Save as disclosed herein, as of the Latest Practicable Date our Directors or chief executive were not aware of any person (other than a director or chief executive of our Company) who will, immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of any options that may be granted under the Post-IPO Share Option Scheme), have an interest or short position in the shares or the underlying shares of our Company which would be required to be notified to our Company and the Hong Kong 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 our Group.

3. Disclaimers

Save as disclosed in this prospectus, as of the Latest Practicable Date:

- (a) none of our Directors nor any of the experts listed in "D. Other Information — 12. Consents of experts" of this appendix was interested 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 our Company or any of our subsidiaries, or were proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

- (b) save in connection with the Underwriting Agreements, none of our Directors nor any of the experts listed in “D. Other Information — 12. Consents of experts” of this appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to our Group’s business taken as a whole;
- (c) save in connection with the Underwriting Agreements, none of the parties listed in “D. Other Information — 12. Consents of experts” of this appendix:
 - (i) were interested legally or beneficially in any securities of any member of our Group; or
 - (ii) had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of our Group;
- (d) none of our Directors or their close associates nor, to the knowledge of our Directors, our Shareholders who held more than 5% of the total issued Shares as of the Latest Practicable Date, had any interest in any of the five largest customers of our Group; and
- (e) none of our Directors had entered into or proposed to enter into a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. OTHER INFORMATION

1. The Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme adopted by our Company on December 15, 2017. The terms of the Post-IPO Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) *Purpose*

The Post-IPO Share Option Scheme is a share incentive scheme aiming to encourage the Eligible Persons (as defined in paragraph (b) below) to contribute to the Group for the long-term benefits of our Company, including for purposes of providing our Company with flexible means to retain, incentivize, reward, remunerate, compensate and/or provide benefits to the Eligible Persons and for such other purposes as the Board may approve from time to time, subject to any necessary approval of our Shareholders to comply with the Listing Rules requirements. The Post-IPO Share Option Scheme may, at the discretion of the Board, be used in conjunction with any cash-based compensation, incentive compensation or bonus plan.

(b) *Eligible persons*

The Board may, at its sole and absolute discretion, grant options to the following individuals or entities of any member of our Group (including nominees and/or trustees of any employee benefit trusts established for them): any Director (including the executive Directors, non-executive Directors and independent non-executive Directors), employee, agent, consultant, business partner, joint venture partner, supplier of goods or services or any director or employee of such supplier, customer or any director or employee of such customer, and person or entity that provides research, development or other technological support or any advisory, consultancy or professional services or any director or employee of such entity, who has contributed or will contribute to our Group on the basis of their contribution to the development and growth of our Group (the “**Eligible Persons**”).

(c) *Maximum total amount and individual limit*

- (i) Initially, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme or any other share option scheme adopted by our Company shall not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date (without taking into account the Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Post-IPO Share Option Scheme) (the “**Scheme Mandate Limit**”) unless Shareholders’ approval has been obtained pursuant to sub-paragraphs (ii) and (iii) below.
- (ii) The Scheme Mandate Limit may be renewed by our Shareholders in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the issued Shares as of the date of the approval of such renewal by our Shareholders in general meeting. Upon such renewal, all options granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company (including those exercised, outstanding, canceled or lapsed in accordance with the Post-IPO Share Option Scheme or any other share options of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit. A circular must be sent to our Shareholders containing such relevant information as required by the Listing Rules from time to time.
- (iii) The Board may seek separate Shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before such approval is sought and our Company must issue a circular to our Shareholders containing such relevant information from time to time as required by the Listing Rules in relation to any proposed grant to such Eligible Persons.
- (iv) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme must not, in aggregate, exceed 30% of the issued Shares from time to time. No options may be granted under any share option scheme of our Company (including the Post-IPO Share Option Scheme) if this will result in the said 30% limit being exceeded.
- (v) The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each Eligible Person in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:
 - (1) the issue of a circular by our Company containing the identity of the Eligible Person, the numbers of and terms of the options to be granted (and options previously granted to such person) and such relevant information as required by the Listing Rules from time to time;
 - (2) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Person and his associates abstaining from voting; and
 - (3) the numbers and terms (including the exercise price) of options to be granted to such Eligible Person being fixed before obtaining our Shareholders’ approval.

(d) Restrictions on the time of grant of options

A grant of options may not be made after an inside information event has occurred or an inside information matter has been the subject of a decision until such inside information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

(e) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage of the Shares in issue as maybe from time to time provided under the Listing Rules; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as maybe from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting at which all connected persons of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

(f) Acceptance as an offer

An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment of HK\$1 (or such other sum in any currency as the Board may determine) on or before the relevant acceptance date.

(g) Exercise price

The subscription price of the Shares in respect of any particular option granted under the Post-IPO Share Option Scheme shall be no less than the highest of:

- (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Hong Kong Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

The exercise price will be determined by the Board, at its sole discretion, at the time the option is granted to the Eligible Person.

(h) Time of exercise of the options and duration of the scheme

Subject to certain restrictions contained in the Post-IPO Share Option Scheme, an option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than 10 years from the date of grant of option.

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Post-IPO Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to conditions, restrictions or limitations including without limitation those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine at its absolute discretion.

Subject to early termination by our Company in general meeting or by the Board, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption date of such scheme by our Shareholders on December 15, 2017.

(i) Conditions on options becoming effective

At the time of granting any option, the Board may, on a case by case basis, make such grant subject to specific conditions (such as specific performance target).

(j) Special circumstances in relation to the exercise

(i) Rights on death

If the grantee of an option ceases to be an Eligible Person by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with our Group under sub-paragraph (ii) below has occurred, the grantee or his personal representative(s) may exercise the option within a period of six months from the date of cessation of being an Eligible Person or death to exercise the options in full (to the extent not already exercised).

(ii) Rights on dismissal

If the grantee of an option ceases to be an Eligible Person on grounds that he has been guilty of serious misconduct convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(iii) Rights on retirement

In the event that the grantee retires from our Group before exercising his options in full, the options of such grantee shall be exercised as follows:

- (1) where the options granted to such grantee have become effective as of the date of his retirement but have not been exercised in full, the grantee shall exercise the options within a period of six months following his retirement and any options that are not exercised within the prescribed period shall lapse;
- (2) where the options granted to such grantee have not taken effect as of the date of his retirement, the options shall lapse.

(iv) Rights on ceasing employment due to other reasons

If the grantee of a grant ceases to be the Eligible Persons by reasons of ceasing employment other than the reasons set out in sub-paragraphs (i), (ii) and (iii) above, including, for example, termination of employment by our Group or resignation of the Eligible Person, before exercising his options in full, the options shall be exercised by the grantee as follows:

- (1) where the options granted to such grantee have become effective as of the date of his cessation of employment but have not been exercised in full, any options that are not exercised shall lapse;
- (2) where the options granted to such grantee have not taken effect as of the date of his cessation of employment, those options shall be canceled forthwith and not be exercisable upon the termination of his employment contract.

(v) Rights on change of control

If an option holder was a trust for the benefit of a grantee and/or a company which a grantee can exercise or control the exercise of 100% of the voting power at general meetings or can control the entire composition of the board of directors, when that option holder ceases to control the trust and/or the company, the options shall be exercised by the grantee as follows:

- (1) where the options granted to such grantee have not taken effect as of the date of the passing of resolution, those options shall lapse;
- (2) where the options granted to such grantee have become effective as of the date of the passing of the resolution but have not been exercised in full, those options shall not be exercised even if an exercise notice has been received by our Company before the grantee ceases control.

(vi) Rights on a takeover

If a general conditional offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 business days after the date on which the offer becomes or is declared unconditional.

(vii) Rights on a voluntary winding-up

If an effective resolution is passed for the voluntary winding-up of our Company, the options shall be exercised by the grantee as follows:

- (i) where the options granted to such grantee have not taken effect as of the date of the passing of the resolution, those options shall lapse;
- (ii) where the options granted to such grantee have become effective as of the date of the passing of the resolution but have not been exercised in full, the grantee can send an exercise notice to our Company within 15 business days after the date of such resolution to exercise all of his outstanding options that have not been exercised. The notice will be deemed to have sent immediately before the passing of the resolution.

(viii) Rights on a scheme of arrangement

In the event of a compromise or arrangement between us and our members or creditors being proposed in connection with a scheme for reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated under Rule 7.14(3) of the Listing Rules), we shall give notice thereof to all grantees on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company no later than five business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting), exercise the option (to the extent exercisable as of the date of the notice to the grantee and not exercised) either in full or in part and upon receipt of the exercise notice and full payment of the total subscription price we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as the holder thereof.

(k) *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option.

(l) *Rights attached to the Shares*

Subject to the exercise of the options, the Shares which are allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles of Association for

the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted and issued upon the exercise of the option, and, without prejudice to the generality of the foregoing, shall entitle the holders to participate in all dividends or other distributions paid or made on or after the date on which the Shares are issued and allotted and the holders are registered in the register of members of our Company in respect of such Shares.

(m) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company while any option remains exercisable, and such event arises from, including a capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised; and/or the exercise price; and/or the maximum number of Shares subject to the Post-IPO Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value or (unless with the prior approval from our Shareholders in general meeting) to the extent that such adjustments are made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any adjustments made on a capitalization issue, independent financial advisor appointed by our Company or our Company's auditors must confirm to our Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

(n) *Cancellation of options*

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is canceled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made within the limits referred to in paragraph (c) above.

(o) *Lapse of options*

An option (to the extent such option has not already been exercised) shall automatically lapse and not be exercisable on the earlier of:

- (a) the expiry of the exercise period;
- (b) the expiry of the periods referred to in paragraph (j) above; and
- (c) the grantee of an option failing to obtain all necessary consents or file all necessary registrations within 20 business days from the date of the written notice to exercise the relevant exercisable option.

(p) *Alteration of the Post-IPO Share Option Scheme or options granted*

Any alterations to the terms and conditions of the Post-IPO Share Option Scheme or the terms of the options granted may only be approved by our Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

(q) Termination of the Post-IPO Share Option Scheme

The validity period of the Post-IPO Share Option Scheme will be 10 years from the adoption date of such scheme by our Shareholders on December 15, 2017. Our Company may terminate the Post-IPO Share Option Scheme by resolution in general meeting or of the Board at any time and in such event no further option shall be offered but the provisions of the Post-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall lapse.

(r) Administration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be subject to the administration of the Board or any administrator appointed by the Board from time to time, whose decision (save as otherwise provided in the Post-IPO Share Option Scheme) shall be final and binding on all parties.

(s) Present status of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is conditional on:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares under the Post-IPO Share Option Scheme representing 10% of the issued share capital of our Company immediately following completion of the Global Offering, without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which may be granted under the Post-IPO Share Option Scheme; and
- (ii) the commencement of dealings in the Shares on the Hong Kong Stock Exchange.

If both of the above conditions are not satisfied within six calendar months following the date of adoption of the Post-IPO Share Option Scheme being December 15, 2017 (or such later date as the Board may decide), the Post-IPO Share Option Scheme shall forthwith be canceled and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Post-IPO Share Option Scheme or any option that may be granted under the Post-IPO Share Option Scheme. As of the date of this prospectus, no option had been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the 44,140,000 Shares to be issued upon full exercise of options that may be granted under the Post-IPO Share Option Scheme representing 10% of the issued share capital of our Company immediately following completion of the Global Offering, without taking into account any Shares which may be issued and allotted upon the exercise of the Over-allotment Option and the options which may be granted under the Post-IPO Share Option Scheme.

2. Estate Duty

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the BVI is likely to fall on our Company or any of our subsidiaries.

3. Litigation

Save as disclosed in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our Group's results of operations or financial condition as of the Latest Practicable Date.

4. Preliminary expenses

The preliminary listing expenses of the Global Offering are estimated to be approximately HK\$41.9 million and are payable by our Company.

5. Promoter

We do not have any promoter. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are they proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Agency fees or commissions

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

7. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the Global Offering, the exercise of the Over-allotment Option and any options that may be granted under the Post-IPO Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

ABCI Capital Limited is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. China Everbright Capital Limited is our connected person and therefore is not independent from our Company under Rule 3A.07 of the Listing Rules. The fees payable by us to the Joint Sponsors for the Listing are HK\$6 million (excluding disbursements).

8. No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position of our Group since June 30, 2017 (being the date up to which the latest audited combined financial statements of our Group was made).

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (iii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) neither our Company nor any of its subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (v) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (vi) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
 - (vii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (viii) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (b) Our Company has no outstanding convertible debt securities or debentures.
- (c) Save for the pledge of bank deposits and charges as disclosed set out in “Appendix I — Accountants’ Report” (to the extent they have not been discharged or released), our Company has no material mortgage or charge.

11. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Everbright Capital Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
ABCI Capital Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Name	Qualifications
Tian Yuan Law Firm	PRC legal advisors
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisors
KPMG	Certified Public Accountants, Hong Kong
Landscape Christie’s International Real Estate	Property Valuer (for valuation of our Group’s properties and lease agreements with connected persons)
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Industry consultant and second property valuer (for valuation of our Group’s properties)

12. Consents of experts

Each of the Joint Sponsors, Tian Yuan Law Firm, Maples and Calder (Hong Kong) LLP, KPMG, Landscape Christie’s International Real Estate, and Jones Lang LaSalle Corporate Appraisal and Advisory Limited has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of their reports, letters and/or the references to their names included herein in the form and context in which they are respectively included.

As of the Latest Practicable Date and save as disclosed in this prospectus, none of the experts named in “D. Other Information — 11. Qualification of experts” of this appendix had any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

13. 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).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration include:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in “Appendix V — Statutory and General Information — D. Other Information — 12. Consents of Experts” to this prospectus; and
- (c) copies of material contracts referred to in “Appendix V — Statutory and General Information — A. Further Information about Our Group — 6. Summary of our Material Contracts” to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Baker & McKenzie at 14th Floor, Hutchison House, 10 Harcourt 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 Memorandum of Association and the Articles of Association;
- (b) the accountants’ report of our Group issued by KPMG, the text of which is set forth in “Appendix I — Accountants’ Report” to this prospectus;
- (c) the report issued by KPMG in relation to the unaudited pro forma financial information of our Group, the text of which is set forth in “Appendix II — Unaudited Pro Forma Financial Information” to this prospectus;
- (d) the audited financial statements of the companies comprising our Group for each of the three financial years ended December 31, 2016 and the six months ended June 30, 2017 (or for the period since their respective dates so incorporated where it is shorter);
- (e) the letter with a summary of valuation and valuation certificates relating to the property interests of our Group prepared by Landscape Christie’s International Real Estate, the text of which is set out in the section headed “Appendix III — Property Valuation” to this prospectus;
- (f) the legal opinions issued by Tian Yuan Law Firm, our PRC Legal Advisor, in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (g) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisors as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (h) the industry research report issued by JLL, our industry consultant, in respect of the Global Offering;
- (i) the letter with a summary of valuation and valuation certificates relating to the property interests of our Group prepared by JLL, our second property valuer;
- (j) the material contracts referred to in “Appendix V — Statutory and General Information — A. Further Information about Our Group — 6. Summary of our Material Contracts” to this prospectus;
- (k) the written consents referred to in “Appendix V — Statutory and General Information — D. Other Information — 12. Consents of experts” to this prospectus;

- (l) the service contracts referred to in the “Appendix V — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 1. Particulars of Director’s Service Contracts” to this prospectus; and

- (m) the Companies Law.



光大永年

*Everbright Grand China
Assets Limited*