

## BUSINESS

### OVERVIEW

We are one of the leading property management companies in the PRC, as we were named China's Largest Community Services Operator in terms of the number of residential units managed as of December 31, 2012 by China Index Academy in 2013. We have three main business segments:

- *property management services*, which primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities, which are mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, such as commercial or office units, and (ii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units;
- *engineering services*, which primarily include: (i) equipment installation services, (ii) repair and maintenance services, and (iii) automation and other equipment upgrade services through our equipment leasing program; and
- *community leasing, sales and other services*, which primarily include: (i) common area rental assistance, (ii) purchase assistance, and (iii) residential and retail units rental and sales assistance.

Under our property management services segment, we focus on implementing our standardization, centralization and automation strategy aiming to enhance service quality, establish centralized management and improve cost efficiency.

Under our engineering services segment, we primarily provide equipment installation services to property developers for their new property developments in accordance with their requirements, which we believe help diversify our revenue bases and enable us to build business relationships with property developers who may engage us to provide property management services for their property developments. We also provide engineering services to upgrade, repair and maintain building automation and other equipment for residential communities we manage or provide consultancy services to.

Under our community leasing, sales and other services segment, we primarily provide common area rental assistance, purchase assistance, and residential and retail units rental and sales assistance. In response to rising labor costs, we plan to further develop our community leasing, sales and other services business which had higher profit margins than our existing property management services and engineering services businesses during the Track Record Period. We aim to dedicate more resources to our community leasing, sales and other services business, which we believe will enable us to diversify our business and strengthen our profitability, thereby enhancing our competitive position as one of the leaders in the PRC property management industry.

We experienced significant growth in terms of revenue and net profit during the Track Record Period. Our revenue from our continuing business increased from RMB146.5 million in 2011 to RMB196.5 million in 2012 and further to RMB233.1 million in 2013, representing a CAGR of 26.1% from 2011 to 2013. Our total net profit from our continuing business increased from RMB23.5 million in 2011 to RMB44.9 million in 2012 and further to RMB45.5 million in 2013, representing a CAGR of 39.2% from 2011 to 2013. In 2013, our total net profit from our continuing business was negatively affected by the listing expenses of RMB22.9 million. Our total net profit from our continuing business (excluding listing expenses) amounted to RMB68.3 million in 2013, representing a CAGR of 70.5% from 2011.

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The following table sets forth the breakdown of our revenue generated from the three main business segments of our continuing business during the Track Record Period:

	Year ended December 31,					
	2011		2012		2013	
	RMB '000	% of Revenue	RMB '000	% of Revenue	RMB '000	% of Revenue
Property management services .	74,823	51.1	104,870	53.4	136,803	58.7
Engineering services . . . . .	46,840	32.0	59,494	30.3	51,623	22.1
Community leasing, sales and other services . . . . .	24,840	16.9	32,143	16.3	44,643	19.2
<b>Total Revenue . . . . .</b>	<b>146,503</b>	<b>100.0</b>	<b>196,507</b>	<b>100.0</b>	<b>233,069</b>	<b>100.0</b>

### OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to achieve a strong position in the property management industry in the PRC and differentiate us from our competitors:

#### **We are one of the leading property management companies with a proven track record and strong brand recognition**

We are one of the leading property management companies in the PRC in terms of the number of residential units managed. We were named China's Largest Community Services Operator in terms of the number of residential units managed as of December 31, 2012 by China Index Academy in 2013. We were also ranked second in terms of growth potential by China Index Academy in its China Top 100 Property Management Companies Research Report in 2013. In compiling its report, China Index Academy assesses the growth potential of a property management company in terms of various factors, including revenue growth rate, number of outstanding contracts on hand and growth rate of contracted GFA. We have a proven track record of successfully increasing the contracted GFA and the number of residential units we service.

We commenced our operations in 2002, and have since then established a strong footprint in Shenzhen. Leveraging our success in Shenzhen, we have expanded to other cities with high population in the PRC such as Chengdu, Huizhou, Xi'an, Shanghai, Nanjing and Beijing. As of December 31, 2013, we were contracted to manage 436 residential communities and provide consultancy services to 179 residential communities with an aggregate contracted GFA of approximately 63.3 million sq.m. and 28.2 million sq.m., respectively. As of December 31, 2011, 2012 and 2013, 90.2%, 92.0% and 94.9%, respectively, of the properties we managed or provided consultancy services to were constructed by independent third party property developers other than the Retained Group.

We have received various honors and awards. We were named one of the China Top 100 Property Management Companies for five consecutive years from 2009 to 2013. Please see the section entitled "— Honors and Awards." We believe that we can leverage our well-established market position and brand recognition to further increase our market share in the PRC property management industry.

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### **By implementing standardization, centralization and automation, we are able to provide consistent and cost-efficient residential property management services**

According to China Index Academy, business model innovation and technological supports are among the basic principles underlying the expedited development of the modern services industries, including the property management industry, as indicated by the PRC Ministry of Science and Technology. According to China Index Academy, from 2009 to 2012, the top 100 property management companies continuously increased their investment in automation technology. To strengthen our competitiveness and reduce our reliance on intensive labor, we have focused on implementing standardization, centralization and automation. We have systematically standardized property management services to replicate efficient methods to perform such services for all residential communities we manage. With the aid of automation devices and our network operations center at our headquarters, we have centralized certain standardized services at our headquarters or regional offices, which can directly command and supervise the services provided by our on-site service teams, receive direct feedback from residents and monitor the subsequent remedial measures. We have completed automation and other equipment upgrade services through our equipment leasing program at approximately 79 residential communities we managed or provided consultancy services to as of December 31, 2013. For example, the anti-tailing doors patented by us are automatic doors installed at access points to the residential communities, reducing the need for security personnel. For more information, see the section entitled “— Our Engineering Services — Equipment Leasing.”

Through our standardization, centralization and automation strategy, we can make more efficient use of our labor force, such as by delegating some property management services, including cleaning and gardening, to specialized subsidiaries or to qualified third-party contractors capable of serving multiple residential communities. As of December 31, 2012, we had an average headcount of 142 employees per million sq.m. of contracted GFA we managed, which is lower than the average headcount of 224 employees per million sq.m. managed by the top 100 property management companies as of the same date according to China Index Academy. As of December 31, 2013, we had an average headcount of 121 employees per million sq.m. of contracted GFA we managed<sup>(1)</sup>. We believe that the implementation of our standardization, centralization and automation strategy helps mitigate the effects of rising costs in property management services and improve our profit margins. Furthermore, we have set up an internal work schedule for regular equipment maintenance, which indicates the date and time when specific maintenance work is to be conducted. Our headquarters delivers instructions for such maintenance work to our maintenance team or our third-party contractors, and their project teams have to arrive at the residential community within a prescribed time to commence maintenance work. We supervise their work quality and assess the equipment condition by reviewing pictures sent to our headquarters via email or other media, which show the conditions of the equipment before and after the maintenance is done. We will then evaluate the work by following up with our on-site manager in the relevant community for feedback.

Through these measures, we are able to respond to residents' needs and concerns with consistent and cost-effective services, which strengthen our brand recognition and give us an important competitive advantage over other industry participants when we seek new business opportunities.

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Note:

(1) As of the Latest Practicable Date, China Index Academy had not published information relating to the average headcount per million sq.m. managed by the top 100 property management companies in 2013.

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### **We have a scalable business model which enables us to expand efficiently**

We believe we can expand our property management operations in an efficient manner by leveraging our headquarters' centralized management capabilities. Our standardized procedures allow us to consistently and efficiently replicate our business model once we begin to manage new communities, which based on our experience generally takes 12 months to 24 months. We believe that our business model allows us to expand our property management services efficiently, while reducing our reliance on intensive labor required by the traditional property management industry.

In addition, we believe the scale of our property management services and the centralized management system allow us to develop our community leasing, sales and other services in an efficient manner. We benefit from the growing number of residential communities we manage to further expand our customer base and deepen the market penetration of our community leasing, sales and other services. Centralized management system allows us to replicate our community leasing, sales and other services operations in new residential communities we manage through organic growth or acquisition of existing property management companies. We believe our business model helps improve our net profit margin, which were 16.0% and 22.8% in 2011 and 2012, respectively, while the average net profit margin of the top 100 property management companies were 7.4% and 8.0% in the same years, respectively, according to China Index Academy. In 2013, our net profit margin was 19.5%, or 29.3% excluding the effects of our listing expenses in 2013<sup>(1)</sup>.

### **We focus on continuing to develop an offline and online service platform connecting residents with local vendors for community leasing, sales and other services**

Leveraging our understanding of the demands of residents living at the residential communities we manage or provide consultancy services to, we have strategically focused on developing a service platform for our community leasing, sales and other services through which residents can connect with local vendors for community leasing, sales and other services.

Through our pre-screening mechanism and ongoing evaluation, we collaborate closely with qualified local vendors in the business circles surrounding the residential communities to promote their products and services on our service platform. These local vendors include local suppliers of certain living essentials, such as rice, bottled water and cooking oil, and other product suppliers and service providers such as restaurants, hotels, movie theaters, classes for various hobbies and tutoring classes. We believe our service platform offers these local vendors advantages that other competing platforms may not be able to provide, such as resident-targeted advertising and the ability to distribute offering information to potential customers in a short period of time. Due to the local nature of the vendors, we believe the residents are able to find and enjoy the most relevant offerings.

Currently, we primarily offer community leasing, sales and other services through an offline service platform. Residents may place orders directly through our on-site management offices or our toll free service hotline. In addition, residents living at the residential communities to which we provide online purchase assistance through the Colour Life website may place orders online. We started rolling out our online purchase assistance platform at the end of 2012 and operated

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Note:

(1) As of the Latest Practicable Date, China Index Academy had not published information relating to the average net profit margin of the top 100 property management companies in 2013.

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the online service platform through the Colour Life website. Our online business is operated by our subsidiary through the Structured Contracts. For further details of the Structured Contracts, please see the section entitled “History, Reorganization and the Group Structure — The Structured Contracts.” The Colour Life website covered 358 residential communities as of December 31, 2013 and we plan to further enhance its capabilities, with a goal of offering more location-targeted products and services to residents.

We believe that to the residents, our offline and online service platform is a convenient source of relevant local products and services offered by qualified local vendors, which can help us maintain residents’ satisfaction and loyalty, strengthen our brand recognition and distinguish ourselves from our competitors. We also believe that the development of our service platform has contributed to our revenue growth from the community leasing, sales and other services segment, which amounted to RMB24.8 million, RMB32.1 million and RMB44.6 million, respectively, in 2011, 2012 and 2013.

### **We have ample growth opportunities**

According to China Index Academy, China’s property management industry is highly fragmented. During the Track Record Period, we increased the total contracted GFA and the number of residential communities we managed and provided consultancy services to through both organic growth and acquisition of property management companies. We achieve organic growth by obtaining service engagements for new property developments and residential communities which replace their previous property management companies as well as providing consultancy services to regional property management companies. As of December 31, 2011, 2012 and 2013, we were contracted to manage 212, 278 and 436 residential communities, respectively, representing a CAGR of 43.4% from December 31, 2011 to December 31, 2013. As of the same dates, the number of residential communities we were contracted to provide consultancy services to were 14, 23 and 179, respectively, representing a CAGR of 257.6% from December 31, 2011 to December 31, 2013. As of December 31, 2011, 2012 and 2013, the residential communities we managed occupied an aggregate contracted GFA of approximately 18.0 million sq.m., 32.3 million sq.m. and 63.3 million sq.m., respectively, representing a CAGR of 87.5% from December 31, 2011 to December 31, 2013. As of the same dates, residential communities which we were contracted to provide consultancy services to occupied an aggregate GFA of 0.7 million sq.m., 1.7 million sq.m. and 28.2 million sq.m., respectively, representing a CAGR of 534.7% from December 31, 2011 to December 31, 2013.

During the Track Record Period, our serviced property portfolio grew by 313 residential communities on a gross basis with an increase of gross contracted GFA of 54.7 million sq.m. Within these 313 added residential communities, 199 residential communities, with a contracted GFA of 41.1 million sq.m., were obtained through new service engagements, and the remaining 114 residential communities, with a contracted GFA of 13.6 million sq.m., were obtained through acquiring other property management companies. We believe we may continue to increase our total contracted GFA through obtaining new service engagements and acquisitions of other property management companies.

In addition to the growing contracted GFA, we believe we can leverage our knowledge of residents’ demands for local product and services and our growing residents’ base to further expand our community leasing, sales and other services segment.

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### **We have an experienced and stable management team with strong execution capability and in-depth knowledge of our industry**

Our management team consists of knowledgeable and experienced professionals with a proven track record in the property management industry. Mr. Tang Xuebin, our Executive Director and our chief executive officer, and Mr. Dong Dong, our Executive Director and our chief operating officer, each has more than 15 years of experience in the property management industry and served in senior management positions at China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a sizeable property management company held by a company the shares of which are listed on the Main Board of the Stock Exchange, before joining us. Furthermore, the majority of the members of our senior management team have been with us for more than 10 years, and each has extensive experience in multiple aspects of the property management business.

Our management team's dedication and execution capability drive our business operations and future growth plans. Moreover, their extensive experience in and in-depth knowledge of the property management industry have played a crucial role in developing and enhancing our business model and culture, which we believe differentiate us from our competitors and contribute to our rapid growth. For further information on our Executive Directors and senior management team, please see the section entitled "Directors, Senior Management and Employees." We believe our management team will continue to be a key factor to our future development of our business.

### **OUR BUSINESS STRATEGIES**

We plan to strengthen our position in the property management industry and further develop a comprehensive residential community service platform. We intend to achieve our objective by implementing the following strategies:

#### **Further increase the total GFA and the number of residential units we manage in existing and new markets to enhance the reach of our service platform and increase our revenue**

According to China Index Academy, the current property management industry in the PRC is highly fragmented. We plan to further expand our business and increase our market share in the industry by expanding the total GFA and the number of residential communities we manage in existing and new markets. We plan to selectively evaluate opportunities in cities with high population in economically developed regions, such as provincial capitals, first-tier and second-tier cities and other areas around the existing locations where we have a presence with a view to maximizing our economies of scale. For example, we plan to further expand our presence in Eastern China (such as Shanghai, Nanjing and Suzhou), Southern China (such as Shenzhen, Huizhou and Dongguan), Northwestern China (such as Xi'an) and Southwestern China (such as Chengdu) by the end of 2015. In addition, we also plan to enter into new markets in Central China (such as Wuhan) and Southwestern China (such as Chongqing) by the end of 2015.

During the Track Record Period, we had expanded the contracted GFA and the number of residential communities we managed primarily through organic growth by obtaining new service engagements. To accelerate our expansion, we plan to place increased emphasis on selectively pursuing acquisition opportunities for regional property management companies, in addition to obtaining new property management contracts. For further information on project selection, please see the section entitled "— Our Property Management Services — Selection Process of Target Communities for Expanding Our Property Management Services."



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We believe that by enlarging the total contracted GFA and the number of residential communities we manage, we will be able to increase our revenue from our property management services and engineering services segments. In addition, we expect that a growing number of residents and property owners will utilize our community leasing, sales and other services platform, which in turn will attract more local vendors to promote their products and services on our service platform.

### **Further enhance our standardization, centralization and automation to elevate service quality and consistency and maximize our cost efficiency**

We regularly review and improve our services with a view to further standardizing services and implementing them across all residential communities we manage or provide consultancy services to. We strive to delegate more on-site services to our specialized subsidiaries or third-party sub-contractors. Standardization also provides consistent standards against which service performance can be reviewed. As of December 31, 2013, we had completed automation and other equipment upgrades through our equipment leasing program at approximately 79 residential communities we managed or provided consultancy services to. We plan to provide the automation and other equipment upgrade services to approximately an additional 320 residential communities we manage or provide consultancy services to with capital expenditures of approximately RMB120 million in 2014 and 2015 to be funded by the net proceeds from the Global Offering to integrate such residential communities into our property management business model. Please see the section entitled “— Our Engineering Services — Equipment Leasing.” We are authorized under our property management contracts to make such upgrades. See the section entitled “— Our Property Management Services — Standardization, Centralization and Automation.”

Through such measures, we believe that we can further enhance the quality and consistency of services and improve the efficiency of on-site staff. In addition, we believe that our standardization, centralization and automation will help us mitigate the impact of rising labor and other operating costs.

### **Further strengthen existing relationships and develop new relationships with customers of our engineering services business**

Our property management services and our engineering services businesses are correlated. As part of our efforts to expand our property management services business, we plan to increase our sales and marketing efforts to strengthen existing and develop new customer relationships to obtain additional engineering service contracts.

We have targeted our marketing efforts for our equipment installation services at the property developers which do not operate their own property management business, and plan to continue such strategy. We believe that such strategy will not only allow us to obtain more engineering service contracts but also generate additional opportunities for us to promote our property management services, which in turn will enable us to further expand the total contracted GFA and the number of residential communities we manage.

### **Continue to develop our offline and online service platform and enhance service quality to customers and the usage of the Colour Life website**

We plan to further develop our offline and online service platform. As part of our efforts to develop such platform, we plan to hire designated customer relationship managers for each residential community we manage to further understand the residents' daily needs and

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familiarize them with our service platform. We also intend to devote more resources to identify qualified vendors that can provide a wider variety of products and services for our residents. Moreover, we plan to extend the coverage of the Colour Life website to more residential communities we manage, with a view to making our online platform accessible for more residents to utilize our community leasing, sales and other services. As of December 31, 2013, the Colour Life website covered 358 residential communities we managed or provided consultancy services to, and we plan to expand such coverage to more residential communities we manage as we continue to grow. Moreover, through our consultancy services arrangements, we aim to eventually provide community leasing, sales and other services to the residential communities, further broadening the customer base for such services.

We intend to cultivate residents' increased usage of the Colour Life website through further investments in various areas. For example, we plan to expand the functionality of the Colour Life website and its mobile application (collectively marketed as "Colour Cloud (彩之雲)") to increase accessibility, improve user experience and offer more services, such as links to online games and other online entertainment options, to attract traffic. Moreover, we are in the process of developing a customer loyalty program (marketed as "Colour Pay (彩付寶)") where transactions that take place on the Colour Life website will generate reward points, which can be used to settle property management fees and to pay for the products or services purchased from the local vendors through the Colour Life website. We also provide residents and property owners with a discount on our property management fees if they pay such fees through the Colour Life website.

In addition, we are rolling out an on-site showroom called the "Colour Space" in some of the residential communities we manage or provide consultancy services to. In Colour Space, local vendors can showcase their products and services on-site to gain greater exposure and residents can evaluate their offerings. Some of the Colour Space showrooms will be equipped with computers for residents to learn the functions of the Colour Life website. We intend to increase the products and services featured in our Colour Space showroom, and we believe that residents' hands-on experience with such products and services will lead to increased usage of and purchases on the Colour Life website.

The increase in popularity of our service platform is expected to lead to more opportunities to generate additional revenue from the community leasing, sales and other services segment, which has higher gross profit margins than our other two business segments.

### **Develop and attract proper talents to support our growth**

Our business strategy envisions a further expansion of the total contracted GFA and the number of residential communities under our management. To support such expansion, we anticipate that we will need to develop and attract proper talents in various positions and functions.

Consistent with our past approach, we expect to cultivate sufficient human resources through internal training, cooperation with vocational schools, lateral hiring and selective retention of workforces from acquired companies. We have a comprehensive internal staff training system which we call the "Colour Life College." Through the Colour Life College, we provide periodic training to existing supervisors, regional managers and other employees who will assume such roles. We expect that the Colour Life College will continue to produce mid-level managerial talents in sufficient quantities to support our human resource needs.



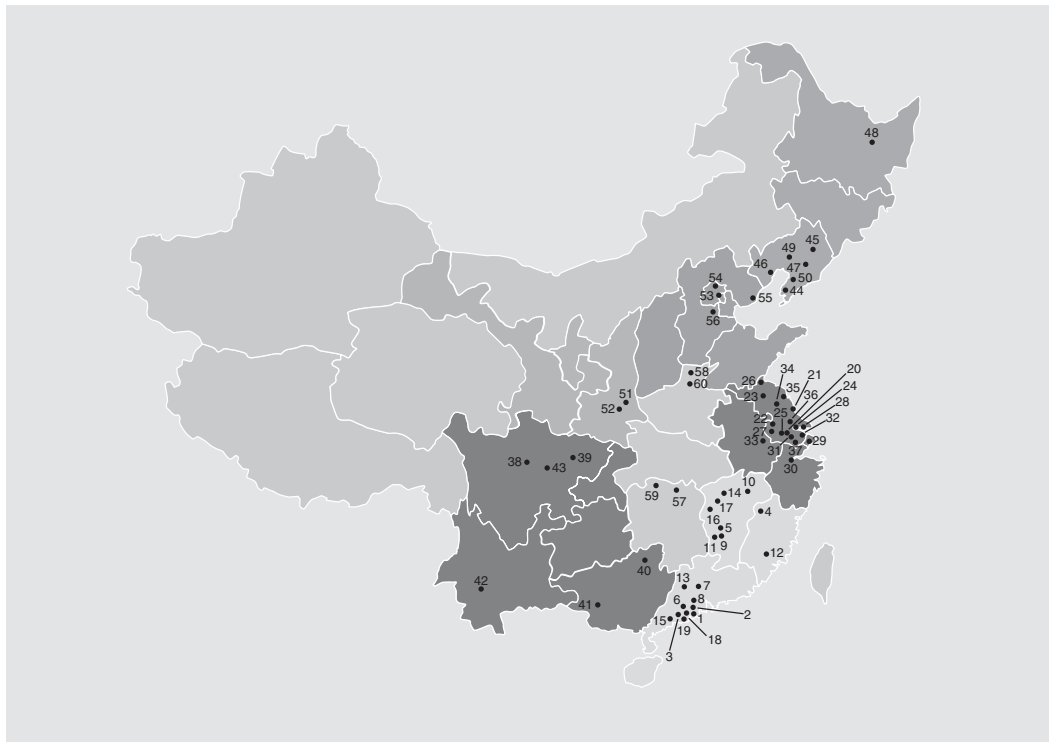
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Furthermore, we plan to increase our collaboration programs with additional vocational schools by setting up courses and composing lecture materials with a view to developing new talents who can thrive under our business model and culture. In addition, we seek to supplement our talent pool with external hires as needs arise. As we plan to execute further acquisitions, we will also selectively retain appropriate talents from the acquired companies' workforces. We believe that having a sufficient pool of talented employees is crucial to support our planned business growth and maintain our service quality.

### OUR PROPERTY MANAGEMENT SERVICES

#### Our Geographical Presence

The map below illustrates the cities in which residential communities we managed or provided consultancy services to were located as of December 31, 2013:



- |                  |                 |                      |                      |                      |
|------------------|-----------------|----------------------|----------------------|----------------------|
| ■ Southern China | ■ Eastern China | ■ Southwestern China | ■ Northeastern China | ■ Northwestern China |
| 1. Shenzhen      | 20. Changzhou   | 38. Chengdu          | 44. Gaizhou          | 51. Weinan           |
| 2. Dongguan      | 21. Dongtai     | 39. Chongqing        | 45. Harbin           | 52. Xi'an            |
| 3. Foshan        | 22. Gaoyou      | 40. Dali             | 46. Huludao          | ■ Northern China     |
| 4. Fuzhou        | 23. Huai'an     | 41. Guilin           | 47. Shenyang         | 53. Beijing          |
| 5. Ganzhou       | 24. Jiangyin    | 42. Nanning          | 48. Shuangyashan     | 54. Chengde          |
| 6. Guangzhou     | 25. Jurong      | 43. Zigong           | 49. Tieling          | 55. Qinhuangdao      |
| 7. Heyuan        | 26. Lianyungang |                      | 50. Yingkou          | 56. Tianjin          |
| 8. Huizhou       | 27. Nanjing     |                      |                      | ■ Central China      |
| 9. Jingdezhen    | 28. Nantong     |                      |                      | 57. Changsha         |
| 10. Nanchang     | 29. Shanghai    |                      |                      | 58. Xinxiang         |
| 11. Nankang      | 30. Shaoxing    |                      |                      | 59. Yiyang           |
| 12. Putian       | 31. Suzhou      |                      |                      | 60. Zhengzhou        |
| 13. Qingyuan     | 32. Wuxi        |                      |                      |                      |
| 14. Shangrao     | 33. Wuhu        |                      |                      |                      |
| 15. Yangjiang    | 34. Xinghua     |                      |                      |                      |
| 16. Yichun       | 35. Yancheng    |                      |                      |                      |
| 17. Yingtan      | 36. Yangzhou    |                      |                      |                      |
| 18. Zhongshan    | 37. Yixing      |                      |                      |                      |
| 19. Zhuhai       |                 |                      |                      |                      |

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Our total contracted GFA had grown substantially during the Track Record Period. The table below sets forth the total contracted GFA and the number of residential communities and pure commercial properties we managed or provided consultancy services to in different regions in the PRC as of the dates indicated:

	2011				2012				2013			
	Managed by us		Under our consultancy service arrangements		Managed by us		Under our consultancy service arrangements		Managed by us		Under our consultancy service arrangements	
	Total contracted GFA ('000 sq.m.)	Number	Total contracted GFA ('000 sq.m.)	Number	Total contracted GFA ('000 sq.m.)	Number	Total contracted GFA ('000 sq.m.)	Number	Total contracted GFA ('000 sq.m.)	Number	Total contracted GFA ('000 sq.m.)	Number
Shenzhen	4,285	90	534	12	4,361	91	610	13	4,715	99	749	19
Southern China (excluding Shenzhen) <sup>(1)</sup>	7,210	68	97	1	14,367	101	97	1	18,087	111	6,017	41
Eastern China <sup>(2)</sup>	1,246	19	40	1	4,631	30	40	1	17,147	128	13,908	64
Southwestern China <sup>(3)</sup>	4,143	27	—	—	5,067	34	—	—	8,492	45	3,253	27
Northeastern China <sup>(4)</sup>	—	—	—	—	655	6	—	—	1,995	12	2,200	4
Northwestern China <sup>(5)</sup>	83	2	—	—	1,980	7	—	—	5,456	17	—	—
Northern China <sup>(6)</sup>	994	6	—	—	1,276	9	944	8	6,745	20	946	10
Central China <sup>(7)</sup>	—	—	—	—	—	—	—	—	648	4	1,175	14
<b>Subtotal</b>	<b>17,961</b>	<b>212</b>	<b>671</b>	<b>14</b>	<b>32,337</b>	<b>278</b>	<b>1,691</b>	<b>23</b>	<b>63,285</b>	<b>436</b>	<b>28,248</b>	<b>179</b>
Pure commercial properties <sup>(8)</sup>	378	8	42	1	649	11	42	1	697	14	42	1
<b>Total</b>	<b>18,339</b>	<b>220</b>	<b>713</b>	<b>15</b>	<b>32,986</b>	<b>289</b>	<b>1,733</b>	<b>24</b>	<b>63,982</b>	<b>450</b>	<b>28,290</b>	<b>180</b>

Notes:

- (1) Including Dongguan, Foshan, Fuzhou, Ganzhou, Guangzhou, Heyuan, Huizhou, Jingdezhen, Nanchang, Nankang, Putian, Qingyuan, Shangrao, Yangjiang, Yichun, Yingtan, Zhongshan and Zhuhai as of December 31, 2013.
- (2) Including Changzhou, Dongtai, Gaoyou, Huai'an, Jiangyin, Jurong, Lianyungang, Nanjing, Nantong, Shanghai, Shaoxing, Suzhou, Wuxi, Wuhu, Xinghua, Yancheng, Yangzhou and Yixing as of December 31, 2013.
- (3) Including Chengdu, Chongqing, Dali, Guilin, Nanning and Zigong as of December 31, 2013.
- (4) Including Gaizhou, Harbin, Huludao, Shenyang, Shuangyashan, Tieling and Yingkou as of December 31, 2013.
- (5) Including Weinan and Xi'an as of December 31, 2013.
- (6) Including Beijing, Chengde, Qinhuangdao and Tianjin as of December 31, 2013.
- (7) Including Changsha, Xinxiang, Yiyang and Zhengzhou as of December 31, 2013.
- (8) For further details, see the section entitled "Relationship with Our Controlling Shareholder — Relationship and Strategy — Strategy — 15 pure commercial properties managed (or provided consultancy services to) by our Group."

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As of December 31, 2013, we had grown our coverage to 60 cities in the PRC where we were contracted to manage 436 residential communities with an aggregate contracted GFA of approximately 63.3 million sq.m. and provide consultancy services to 179 residential communities with an aggregate contracted GFA of approximately 28.2 million sq.m. We had been expanding our business during the Track Record Period through obtaining new service engagements and acquisitions of other property management companies. The table below indicates the movement of the total contracted GFA and the number of residential communities we managed or provided consultancy services to during the Track Record Period:

	Year ended December 31,											
	2011				2012				2013			
	Managed by us		Under our consultancy service arrangements		Managed by us		Under our consultancy service arrangements		Managed by us		Under our consultancy service arrangements	
	Total contracted GFA ('000 sq.m.)	Number of residential communities	Total contracted GFA ('000 sq.m.)	Number of residential communities	Total contracted GFA ('000 sq.m.)	Number of residential communities	Total contracted GFA ('000 sq.m.)	Number of residential communities	Total contracted GFA ('000 sq.m.)	Number of residential communities	Total contracted GFA ('000 sq.m.)	Number of residential communities
As of beginning of period. . .	12,283	161	639	11	17,961	212	671	14	32,337	278	1,691	23
New engagements <sup>(1)</sup> . . . . .	6,378	55	32	3	13,348	64	1,020	9	21,369	80	26,557	156
Acquisitions . . . . .	132	3	—	—	1,510	11	—	—	11,985	100	—	—
Terminations <sup>(2)(3)</sup> . . . . .	(832)	(7)	—	—	(482)	(9)	—	—	(2,406)	(22)	—	—
<b>As of end of period . . . . .</b>	<b>17,961</b>	<b>212</b>	<b>671</b>	<b>14</b>	<b>32,337</b>	<b>278</b>	<b>1,691</b>	<b>23</b>	<b>63,285</b>	<b>436</b>	<b>28,248</b>	<b>179</b>

Notes:

- (1) In relation to residential communities we manage, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to residential communities we provide consultancy services to, new engagements include our entering into consultancy services agreements with regional property management companies.
- (2) Including the contracted GFA and the number of residential communities we ceased to manage primarily due to non-renewal of certain property management contracts for commercial reasons.
- (3) In 2011, six property management contracts were terminated in relation to residential communities with payments on behalf of residents, and one property management contract was terminated in relation to a residential community without payments on behalf of residents.

In 2012, five property management contracts were terminated in relation to residential communities with payments on behalf of residents, and four property management contracts were terminated in relation to residential communities without payments on behalf of residents.

In 2013, 22 property management contracts were terminated in relation to residential communities without payments on behalf of residents. For more information about residential communities with payments on behalf of residents and factors we consider in making our termination decisions, see the section entitled "Financial Information — Description of Certain Items in Statements of Financial Position — Payments/Receipts on Behalf of Residents — Categorization in relation to payments on behalf of residents."

## BUSINESS

### Nature of the Property Developers

The properties we manage or provide consultancy services to are predominantly constructed by independent property developers other than the Retained Group. For information concerning the business delineation between the Retained Group and us, see the section entitled “Relationship with Our Controlling Shareholder — Business Delineation.” The table below sets forth a breakdown of the contracted GFA and the number of properties we managed or provided consultancy services to by independent property developers and the Retained Group as of the dates indicated:

	As of December 31,											
	2011				2012				2013			
	Total contracted GFA (’000 sq.m.)	% of total contracted GFA	Number of properties	% of total number of properties	Total contracted GFA (’000 sq.m.)	% of total contracted GFA	Number of properties	% of total number of properties	Total contracted GFA (’000 sq.m.)	% of total contracted GFA	Number of properties	% of total number of properties
Properties constructed by independent property developers other than the Retained Group <sup>(1)</sup> . . . . .	14,939	78.4	212	90.2	30,508	87.9	288	92.0	84,772	91.9	598	94.9
Properties constructed by the Retained Group <sup>(1)</sup> . . . . .	4,113	21.6	23	9.8	4,211	12.1	25	8.0	7,500	8.1	32	5.1
<b>Total<sup>(1)</sup></b> . . . . .	<b>19,052</b>	<b>100.0</b>	<b>235</b>	<b>100.0</b>	<b>34,719</b>	<b>100.0</b>	<b>313</b>	<b>100.0</b>	<b>92,272</b>	<b>100.0</b>	<b>630</b>	<b>100.0</b>

Note:

(1) Including both residential communities and pure commercial properties.

### Scope of Services for Our Property Management Services

We focus on providing: (i) property management services such as security, cleaning, gardening, repair and maintenance provided to residential communities, and (ii) pre-sale services to property developers, including cleaning, security and maintenance of the pre-sale display units. As of the Latest Practicable Date, we also managed or provided consultancy services to 15 pure commercial properties. For further details, see the section entitled “Relationship with Our Controlling Shareholder — Relationship and Strategy — Strategy — 15 pure commercial properties managed (or provided consultancy services to) by our Group.”

The property management services we provide can be grouped into the following categories:

- **Security services**

We endeavor to provide high-quality security services to ensure that the communities we manage are well protected. We seek to enhance the quality of our security services through equipment upgrade. Daily security services provided by us include patrolling, access control, visitor handling and emergency handling. We may delegate certain security services to third-party sub-contractors. For details of sub-contracting, please see the section entitled “— Sub-contracting.”

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- ***Cleaning and gardening services***

We provide general cleaning, pest control and landscape maintenance services to communities managed by us through our own specialized subsidiaries or third-party sub-contractors. For details of sub-contracting, please see the section entitled “— Sub-contracting.”

- ***Repair and maintenance services***

We provide repair and maintenance services to certain communities managed by us. In particular, we are generally responsible for the maintenance of: (i) common area facilities such as lifts, escalators and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and fire alarm system; (iii) security facilities such as entrance gates control and surveillance cameras; and (iv) utility facilities such as electricity generator, water pumps and water tank. We provide such services through our specialized subsidiaries or third-party sub-contractors. For details of sub-contracting, please see the section entitled “— Sub-contracting.”

As of December 31, 2013, we employed over 5,000 on-site personnel to provide property management services.

### **Standardization, Centralization and Automation**

To strengthen our competitiveness and reduce our reliance on manual labor, we focus on implementing standardization, centralization and automation of our services. We evaluate our property management services and formulate processes to render such services in a manner that is intended to alleviate the pressure of increasing labor cost.

- ***Standardization***

We divide the residential communities we service into different levels, based on factors such as their locations, total GFA and amount of property management fees. Standardized service provision procedures are set up for each level of communities, which we have replicated in part or in whole across all residential communities that we service.

- ***Centralization***

By leveraging our standardized procedures, we can achieve centralized management at our headquarters where we plan, command, supervise and evaluate service process and quality.

- ***Automation***

We strive to increase automation by employing equipment such as carpark security systems, building access systems and surveillance cameras to reduce dependency on manual labor such as security guards and cleaning staff. For more details of our automation, please see “— Our Engineering Services — Equipment Leasing.”

### **Benefits**

We believe standardization allows us to consistently and efficiently replicate our service procedures in new residential communities we service. Standardization and centralization provide our on-site teams with technical and other support from our headquarters’ resources and enable our headquarters to closely monitor and track work status, which we believe would improve operational efficiency and ensure the delivery of consistent and high-quality services.

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Furthermore, we believe that centralization and automation help reduce our reliance on intensive labor and control headcount which are crucial to our business expansion. For instance, we are able to employ relatively fewer on-site security guards overseeing main access gates to residential communities and carparks by using surveillance cameras and intrusion detection systems, which are remotely controlled and monitored at our centralized network operations center at our headquarters.

### Examples

Based on our experience, we group property management services into the following three broad categories, depending on the nature of the event that triggers the service needs. The following examples illustrate how standardization, centralization and automation integrate into our business model.

Service category	Examples	Standardized responses, centralized command and supervision
Services to address periodic and recurring activities	<ul style="list-style-type: none"> <li>• Water and electricity supply meters recording</li> <li>• Inspecting glass windows, building entrances' doors, staircases and other common areas</li> <li>• Cleaning the machine rooms and equipment</li> </ul>	<p style="text-align: center;">⇒</p> <p>Before the service needs arise, our headquarters delivers pre-planned and scheduled notices to the on-site service teams, generally through mobile phone calls, mobile phone messages or Internet communications.</p>
Services at different stages of a community's life cycle	<ul style="list-style-type: none"> <li>• Pre-sale assistance — providing property management services in connection with pre-sale arrangements, such as gardening and cleaning</li> <li>• Property delivery — inputting property data into our system and assisting property owners with property inspections</li> </ul>	<p style="text-align: center;">⇒</p> <p>On-site staff are required to report their status before and after work completion, often with mobile phone picture uploads, to our centralized database, allowing our headquarters to closely collaborate with our on-site service teams to monitor service progress, completion and follow-up evaluation.</p>



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Service category	Examples	Standardized responses, centralized command and supervision
Services required by emergency situations	<ul style="list-style-type: none"> <li>• Water pipes bursting</li> <li>• Typhoons</li> <li>• Residents trapped in elevators</li> <li>• Falling objects from height</li> <li>• Burglary and robbery</li> </ul>	<p>Our headquarters has prepared standardized procedures for emergency situations, which are distributed to our on-site teams. When such situations occur, our on-site service teams can take action quickly to minimize response time.</p> <p>In the event that such emergencies cannot be resolved by pre-planned procedures, our headquarters and regional offices can directly assist our on-site service teams by giving directions to promptly and effectively respond to such emergencies. Our headquarters and regional offices also monitor service progress, completion and follow-up evaluation.</p>

### Revenue Model of Property Management Services

Our property management services generate revenue from the following four types of services:

	Year ended December 31,					
	2011		2012		2013	
	RMB'000	% of property management services revenue	RMB'000	% of property management services revenue	RMB'000	% of property management services revenue
Property management services under commission basis .....	28,534	38.1	34,970	33.3	64,494	47.1
Property management services under lump sum basis .....	33,311	44.5	39,044	37.2	34,744	25.4
Pre-sale services .....	12,978	17.4	30,856	29.5	37,037	27.1
Consultancy services <sup>(1)</sup> .....	—	—	—	—	528	0.4
<b>Total property management services fees .....</b>	<b>74,823</b>	<b>100.0</b>	<b>104,870</b>	<b>100.0</b>	<b>136,803</b>	<b>100.0</b>

Note:

<sup>(1)</sup> Revenue generated from our consultancy services in 2011 and 2012 was insignificant and principally non-recurring in nature, and as a result was treated as revenue generated from property management services under commission basis in 2011 and 2012.

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During the Track Record Period, we charged (i) property management fees either on a commission basis or a lump sum basis, depending on the nature and requirements of individual communities, (ii) pre-sale service fees on a per-transaction basis, and (iii) fees for consultancy services. For more information about our consultancy services, see the section entitled “— Our Consultancy Services.” For the communities we manage, our counter-parties, including property developers and property owners’ associations, generally propose whether they prefer the communities to be managed on a commission basis or a lump sum basis. Based on the proposals, we then conduct financial assessments by evaluating key factors such as projected profitability. The assessment results help us determine whether to accept the proposals and take up the engagements. The differences between these two bases are explained in more detail below.

- ***Property management fees charged on a commission basis***

On a commission basis, we are entitled to first retain as our revenue a pre-determined percentage (typically 10%) of the property management fees the property owners are obligated to pay as prescribed by the relevant local authorities. Please see the section entitled “Laws and Regulations relating to the Industry — Legal Supervision over the Property Management Sector in the PRC — Fees Charged by Property Management Enterprises.” The remainder of the management fee is used as property management working capital to cover the property management expenses associated with our property management work.

In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally rolled over to the next annual period, and the balance is added to receipts on behalf of residents on our balance sheets. In the event of a shortfall of working capital to pay for the relevant property management expenses, we may need to make up for the shortfall and pay on behalf of the community management offices and property owners first, with a view to recovering from the residents or property owners subsequently. For detailed information, please see the section entitled “Financial Information — Description of Certain Items in Statements of Financial Position — Payments/Receipts on Behalf of Residents.”

On a commission basis, we essentially act as an agent of the property owners. We recognize as our revenue the pre-determined percentage of property management fees. Although we normally enter into employment contracts with the on-site staff and we are the contracting party to the sub-contracting arrangements, the relevant costs associated with the on-site staff and sub-contracting arrangements are typically borne by the property owners through the community management offices. In addition, we will recharge our expenses incurred at our headquarters, with reference to the size of the communities and resources allocated, in the course of providing property management services to such communities. Therefore, we do not incur any direct cost under property management contracts charged on a commission basis in general.

For more information, see the section entitled “Financial Information — Description of Certain Items in Statements of Financial Position — Payments/Receipts on Behalf of Residents.”

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- ***Property management fees charged on a lump sum basis***

On a lump sum basis, we are entitled to retain the full amount of received property management fees. From the property management fees, we pay out our expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overhead covering the common areas. During the term of the contract, if the amount of property management fees we collect is not sufficient to cover all the expenses incurred, we are not entitled to request the property owners to pay us the shortfall. However, in practice, we try to negotiate with the property owners' association for an increase in property management fees to cover our shortfall. There is no assurance that we would succeed in achieving such increase. Please see the section entitled "Risk Factors — Risks relating to Our Business and Industry — We charge management fees for certain communities that we manage on a lump sum basis, which could subject us to losses."

On a lump sum basis, we recognize as revenue the full amount of property management fees we charged to the property owners, and recognize the expenses we incurred in connection with performing our services. Therefore, the relevant costs are recognized as our cost of sales.

- ***Pre-sale service fees***

We may be appointed as the property management company by the property developers at the early stage of the property development. We provide pre-sale services to property developers for their preparation of pre-sale activities, and we recognize our revenue based on the fees we charge, which is calculated in accordance with the headcount and positions of the staff we deploy. We recognize relevant labor costs we incur as cost of sales in connection with performing our services.

As of December 31, 2011, 2012 and 2013, communities with fees charged on a commission basis constituted 95.6%, 94.5% and 68.7% of our total contracted GFA for residential communities, respectively, while communities with fees charged on a lump sum basis constituted 0.8%, 0.5% and 0.4% of our total contracted GFA for residential communities, respectively. As of the same dates, communities which we provided consultancy services to constituted 3.6%, 5.0% and 30.9% of our total contracted GFA for residential communities, respectively. We do not receive property management fees until the properties are delivered to owners. In 2011, 2012 and 2013, gross profit margin for property management services under commission basis was 100%, 100% and 98.2% respectively. For the same periods, the gross profit margin for property management services under lump sum basis was 4.1%, 20.7% and 35.2%, respectively. The gross profit margin for pre-sale services was 5.2%, 5.9% and 9.8%, respectively. Any shift in the mix from commissioning basis to lump sum basis will have impact on our gross profit margins, please see the section entitled "Financial Information — Key Factors Affecting Our Results of Operations — Business Mix."

### ***Price range of property management fees***

The table below sets forth the property management fee range for residential area within the residential communities we managed on a commission basis and a lump sum basis as of the dates indicated (excluding those communities which we no longer managed as of December 31, 2013). Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

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	As of December 31,					
	2011		2012		2013	
	Property management fee range for residential area <sup>(1)</sup>		Property management fee range for residential area <sup>(1)</sup>		Property management fee range for residential area <sup>(1)</sup>	
	Under commission basis (RMB/sq.m./month)	Under lump sum basis (RMB/sq.m./month)	Under commission basis (RMB/sq.m./month)	Under lump sum basis (RMB/sq.m./month)	Under commission basis (RMB/sq.m./month)	Under lump sum basis (RMB/sq.m./month)
Shenzhen . . . . .	0.5–6.3	3.5	0.5–8.8	3.5	0.5–8.8	3.5
Southern China (excluding Shenzhen) <sup>(2)</sup> . . . . .	0.4–4.6	—	0.35–1.0	—	0.6–6	—
Eastern China <sup>(3)</sup> . . . . .	1.15–3.8	—	0.5–3.8	—	0.1–2.9	1.2
Southwestern China <sup>(4)</sup> . . . . .	0.55–4.0	—	0.35–4.2	—	0.55–5.68	—
Northeastern China <sup>(5)</sup> . . . . .	—	—	0.8–1.5	—	0.7–1.5	—
Northwestern China <sup>(6)</sup> . . . . .	0.3–3.0	—	0.3–3.95	—	0.8–3.95	—
Northern China <sup>(7)</sup> . . . . .	1.06–4.07	—	0.7–4.07	—	0.4–2.8	—
Central China <sup>(8)</sup> . . . . .	—	—	—	—	1.38	—

**Notes:**

- (1) We have different fee schedules for commercial and office space and carparks.
- (2) Including Dongguan, Foshan, Fuzhou, Ganzhou, Guangzhou, Heyuan, Huizhou, Jingdezhen, Nanchang, Nankang, Putian, Qingyuan, Shangrao, Yangjiang, Yichun, Yingtan, Zhongshan and Zhuhai as of December 31, 2013.
- (3) Including Changzhou, Dongtai, Gaoyou, Huai'an, Jiangyin, Jurong, Lianyungang, Nanjing, Nantong, Shanghai, Shaoxing, Suzhou, Wuxi, Yancheng, Wuhu, Xinghua, Yangzhou and Yixing as of December 31, 2013.
- (4) Including Chengdu, Chongqing, Dali, Guilin, Nanning and Zigong as of December 31, 2013.
- (5) Including Gaizhou, Harbin, Huludao, Shenyang, Shuangyashan, Tieling and Yingkou as of December 31, 2013.
- (6) Including Weinan and Xi'an as of December 31, 2013.
- (7) Including Beijing, Chengde, Xinxiang, Qinhuangdao and Tianjin as of December 31, 2013.
- (8) Including Changsha, Yiyang and Zhengzhou as of December 31, 2013.

### **Our pricing policy**

We are typically appointed as the property management company to provide property management services to communities or to provide pre-sale services through competitive bidding. For more information, see the section entitled “Laws and Regulations relating to the Industry — Legal Supervision over the Property Management Sector in the PRC — Appointment of the Property Management Enterprise.” When we bid for a new engagement, we generally price our services based on a number of factors, including (i) the types and locations of the communities, (ii) our expense forecast, (iii) our estimation of our competitors’ pricing, and (iv) the local government’s guidance price on property management fees. In addition, we consider the potential cost savings we can realize via automation and other equipment upgrade services through our equipment leasing program, which help us lower our proposed property management fees in our bids.

When the communities have reached the delivery stage, we receive property management fees from owners of sold property units which are generally calculated based on the size of the unit and the nature of the area of communities (such as residential areas, retail areas or carparks). We also receive property management fees from the property developer for the remaining unsold units at a lower rate than the fees paid by the owners of sold residential property units.

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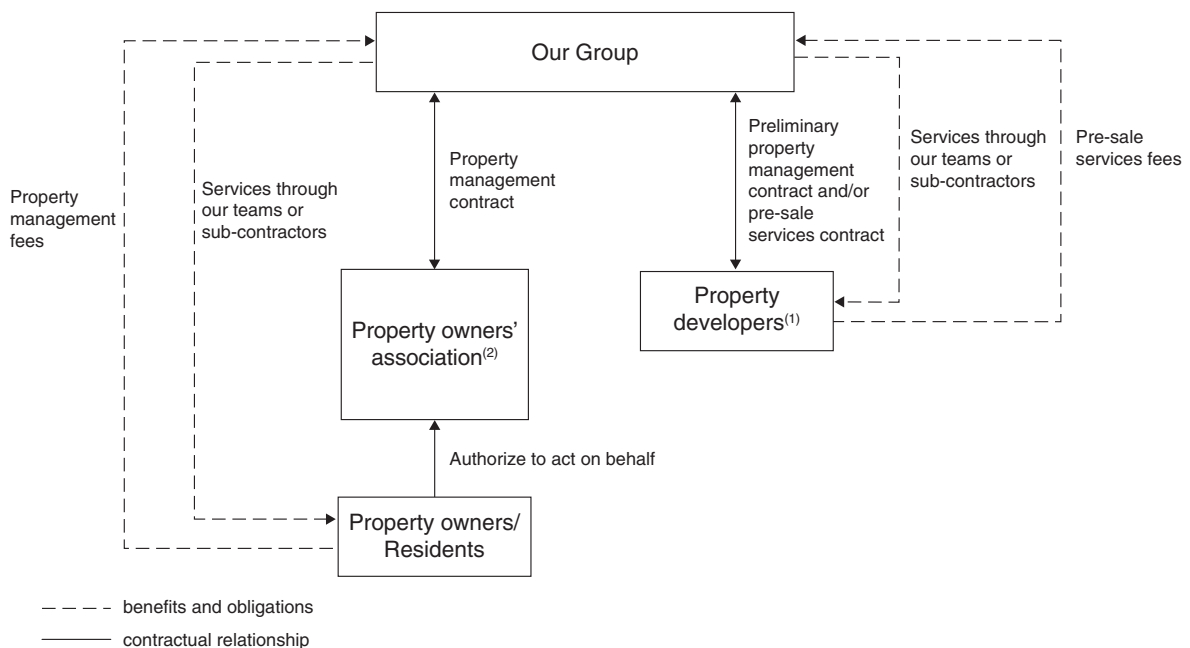
In the PRC, the fees that property management companies may charge in connection with property management services are strictly regulated and supervised by relevant PRC authorities. The relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of the fees charged in relation to property management services. See the section entitled “Laws and Regulations relating to the Industry — Legal Supervision over the Property Management Sector in the PRC — Fees Charged by Property Management Enterprises.” Our Directors believe that the government-imposed limits on fees have had an effect on our results of operation during the Track Record Period, as we did not have the flexibility to adjust our pricing upwards in response to rising operating costs. As a result, we have continuously been adopting other measures, such as cost control and revenue source diversification through our community leasing, sales and other services, to maintain our profitability. If we cannot effectively control our costs or generate additional revenue from our community leasing, sales and other services, our Directors believe that government-imposed limits on fees will continue to affect, and may result in an adverse effect on, our business, financial position and results of operations. See the section entitled “Risk Factors — Risks relating to Our Business and Industry — We are subject to the regulatory environment and measures affecting the PRC property management industry.”

### **Payment terms**

We charge property management fees on a monthly basis for our property management services and on a per-transaction basis for our pre-sale services. During the Track Record Period, we received certain properties from property developers as partial consideration for property management services we provided to them. See the section entitled “Financial Information — Description of Selected Statements of Profit or Loss Line Items — Changes in Fair Value of Investment Properties.”

### **Types of Property Management Contracts**

The diagram below illustrates our relationships with various parties when we provide property management services on a commission basis or lump sum basis, and pre-sale services:



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Notes:

- (1) Property developers can enter into preliminary property management contracts on behalf of property owners and such contracts are legally binding on property owners.
- (2) Property owners' associations can enter into property management contracts on behalf of property owners and such contracts are legally binding on property owners.

### ***Contracts with property developers regarding property management services***

With respect to service engagements for new properties, we generally enter into preliminary property management contracts with property developers prior to delivery of the relevant properties to property owners. Under these contracts, we are responsible for the concierge service, security and general cleaning of designated areas. It is also our duty to set up the annual budgets, service plans and final accounting reports. We and the property developer jointly conduct the acceptance inspection of the common areas and facilities of the properties according to relevant regulations of the PRC. The property developer is responsible for the property construction quality, supplying an area for our use as management office, and providing us with property blueprints, design-related documents and completion inspection materials. Parties are typically required to resolve any contractual disputes through negotiations first, failing which the dispute is to be resolved through mediation or court proceedings.

As advised by our PRC legal advisor, according to Interpretations on Several Issues relating to the Specific Application of Laws on the Hearing of Property Management Service Disputes (《關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) (Fa Shi 2009 No.8), which was promulgated by the Supreme People's Court on May 25, 2009 and came into effect on October 1, 2009, contracts between property developers and property management companies, signed before the establishment of property owners' associations, and the various legal rights and obligations of property owners listed in such contracts are valid and legally binding on subsequent property owners, even if they are not signing parties to such contracts. In the event of a sale, the current and future owners are free to contract between themselves the assumption of various legal rights and obligations under the relevant property management contract. Property owners are obligated to pay management fees directly to us under these contracts and our revenue is calculated on a lump sum or commission basis. The contracts typically do not specify through what means we can seek to collect overdue fees. We persistently contact residents or property owners with outstanding property management fees via home visits, text messages, emails or phone calls. If such ordinary collection measures do not suffice, we would hire legal counsel to take legal action against such property owners to recover the outstanding payments.

These preliminary contracts generally have a duration of less than three years and will be automatically terminated when the property owners' associations enter into new property management contracts. If upon the expiration of the initial term of the contract, the property owners' association has not yet been formed or a new property management contract have not been entered into, (i) the preliminary contract will be automatically renewed until a new property management contract is entered into by the property owners' associations, if the relevant contract stipulates such automatic renewal, or (ii) we may choose to extend our services without a formal contractual renewal, in such event either party may unilaterally terminate the work relationship without liabilities. During the contractual term, if we decide to terminate a contract through non-renewal, we will notify our counter-party, and continue to provide services until contract expiration. As advised by our PRC legal advisor, we typically have the option to unilaterally terminate a property management contract and cease service provisions before its expiration if we pay a compensation to our counter-party. We may also unilaterally terminate a contract and cease service provisions before its expiration without paying a compensation to our



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counter-party if there are legal or contractual grounds for such unilateral termination, such as our counter-party's non-performance of its material obligations. Furthermore, both parties may agree on early termination based on mutual consent. Although we did not unilaterally terminate any property management contract before its expiration date during the Track Record Period and up to the Latest Practicable Date, if in the future we choose to do so, we intend to negotiate with our counter-party such that the contract can be terminated based on mutual consent to minimize legal risks.

### ***Contracts with property owners' associations regarding property management services***

We enter into property management contracts with the respective property owners' associations, either to replace the preliminary property management contracts with the property developers, or to replace previous property management companies. As advised by our PRC legal advisor, such contracts between property owners' associations and property management companies, including the various legal rights and obligations of property owners under such contracts, are also valid and legally binding on property owners, whom their respective property owners' associations represent, even if property owners are not parties to such contracts. In the event of a sale, the current and future owners are free to contract between themselves regarding the assumption of various legal rights and obligations under the relevant property management contract. Under the Law on Property (《物權法》) (Order No. 62 of the President of the PRC), the property owners' association is elected by the property owners, and represents their interest in matters concerning property management, and the association's decisions are binding on the property owners. We therefore have legal claims against property owners for owed property management fees. These contracts generally have a duration of one to five years and have terms that are substantially similar to those of the preliminary contracts. These contracts may be extended, either (i) through a formal contract renewal or (ii) in practice, in such event either party may unilaterally terminate the work relationship without liabilities. During the contractual term, if we decide to terminate a contract through non-renewal, we will notify our counter-party in advance, and continue to provide services until contract expiration. As advised by our PRC legal advisor, we typically have the option to unilaterally terminate a property management contract and cease service provisions before its expiration if we pay a compensation to our counter-party. We may also unilaterally terminate a contract and cease service provisions before its expiration without paying a compensation to our counter-party if there are legal or contractual grounds for such unilateral termination, such as our counter-party's non-performance of its material obligations. Furthermore, both parties may agree on early termination based on mutual consent. Although we did not unilaterally terminate any property management contract before its expiration date during the Track Record Period and up to the Latest Practicable Date, if in the future we choose to do so, we intend to negotiate with our counter-party such that the contract can be terminated based on mutual consent to minimize legal risks.

Under PRC laws and regulations, the property owners' association of a residential property of a certain scale has the right to change property management companies pursuant to certain procedures. For more information, see the section entitled "Laws and Regulations relating to the Industry — Legal Supervision over the Property Management Sector in the PRC — Appointment of the Property Management Enterprise." In the event of termination or non-renewal of property management contracts, we may be adversely affected. Please see the section entitled "Risk Factors — Risks relating to Our Business and Industry — Termination or non-renewal of our property management services to a significant number of communities could have a material adverse effect on our business, financial position and results of operations."

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Our property management contracts with property developers and property owners' associations delineate the scope of services to be provided by us, which generally include security, cleaning, gardening, repair and maintenance for the common area facilities within the communities. Although we may not assign the contracts to third parties in their entirety, we are typically allowed to sub-contract some of the services to third parties, such as security, cleaning or repair and maintenance services. In addition, such contracts authorize us or third parties we collaborate with to provide community leasing, sales and other services to the residents and property owners. These contracts typically require us to meet certain quality standards such as ISO 9001:2000 or ISO 9001:2004 published by the International Organization for Standardization, or quality standards promulgated by the relevant PRC national, provincial or municipal governmental bodies. For arrangements with our third-party sub-contractors, see the section entitled "— Sub-contracting."

In relation to a community managed on a lump sum basis, we are responsible for any shortfall resulting from collected management fees being insufficient to cover property management expenses incurred. In relation to a community managed on a commission basis, our PRC legal advisor has confirmed that we have the legal right to request the property owners at communities to which we provide property management services on a commission basis to make up for a shortfall of working capital and also to recover such shortfall, within the scope set by local competent authorities, according to the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) (Fa Gai Jia Ge 2003 No. 1864). The property management contracts, however, are typically silent as to the specific mechanisms through which the shortfall may be made up. Although we have the legal right to demand property owners to make up for the shortfall, we typically do not exercise such right in favor of preserving good relationships with the property owners. Instead, we generally attempt to make up for the shortfall from excess working capital generated in subsequent periods, which we target to realize through enhancing the collection of property management fees and reducing costs at the community level. We also aim to avoid such shortfalls through budget control and other measures. See the section entitled "Financial Information — Description of Certain Items in Statements of Financial Position — Payments/Receipts on Behalf of Residents — Measures to improve recoverability of payments on behalf of residents."

We have been advised by our PRC legal advisor that, in order for us to raise our property management fees, we have to go through certain administrative procedures, including holding a property owners' meeting. The fees can only be increased if owners representing (i) more than 50% of total number of units and (ii) more than 50% of the total proprietary GFA of that community approve the motion, subject to applicable government guidance prices. However, based on our Directors' knowledge, the owners are generally unwilling to increase their property management fees. If we are unable to raise property management fees and there is a shortfall of working capital after deducting the property management expenses, we would seek to cut costs with a view of reducing the shortfall with future property management fees, which may negatively affect the quality of our property management services. Please see the section entitled "Risk Factors — Risks relating to Our Business and Industry — We are subject to the regulatory environment and measures affecting the PRC property management industry." Parties are typically required to resolve any contractual disputes through negotiations first, failing which the dispute is to be resolved through mediation or court proceedings.

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### ***Contracts with property developers regarding pre-sale services***

We enter into pre-sale property management contracts with property developers. Pursuant to the agreement, we agree to deploy staff on-site to assist property developers with their pre-sale activities, and such staff are responsible for, among others, cleaning, security and maintenance of the pre-sale display units. The property developer agrees to pay each staff deployed compensations at prescribed amounts. The agreements are entered into on a per-transaction basis and generally set to expire when customers notify us that our pre-sale services are no longer required.

### **Our Consultancy Services**

#### ***Purpose of consultancy services***

With a view to expanding our presence, showcasing our services and abilities to a wider audience, making our brand more widely known and expanding the customer base for our community leasing, sales and other services, we have selectively entered into consultancy services contracts with regional property management companies.

Under such arrangements, the property management companies are contracted to provide property management services at the relevant communities, and we provide consultation and advice to these regional property management companies such that they can leverage our experience and platform to improve the standard of their own operations and control their operational costs in their service provision. In addition, we are contracted to establish the platform to provide community leasing, sales and other services at the relevant communities, which in the future may generate additional revenue for us.

#### ***Geographical presence and size of consultancy services***

As of December 31, 2013, we provided consultancy services to 179 residential communities in the PRC. In 2013, revenue generated from our consultancy services was RMB0.5 million, or 0.2% of our total revenue for the year. The gross profit margin for consultancy services was 100% in 2013.

#### ***Scope of consultancy services***

The relevant contracts typically have terms of at least two years. We provide consultation and advice to these regional property management companies on various aspects of their operations, such as property management, engineering, quality control and human resources management. In addition, we can establish the platform to provide community leasing, sales and other services at the relevant communities under our own brand name. For information regarding our community leasing, sales and other services, see the section entitled “— Our Community Leasing, Sales and Other Services.”

Moreover, because the management offices of residential communities under the consultancy arrangements do not have separate legal identities and therefore cannot have separate bank accounts, we perform the treasury function for the property management companies and the relevant residential communities as a specialized property management service. All transactions of these management offices are settled through our treasury function.

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Due to our provision of treasury function, we had payments and receipts on behalf of residents for residential communities under consultancy service arrangements of RMB2.9 million and RMB3.3 million as of December 31, 2013, respectively. Since we contract with property management companies instead of property developers, property owners' associations or property owners, our PRC legal advisor has advised us that any payments on behalf of residents for residential communities under consultancy service arrangements should be recovered from our counter-parties. For more information, see the sections entitled "Risk Factors — Risks relating to Our Business and Industry — We may fail to recover all payments on behalf of residents" and "Financial Information — Description of Certain Items in Statements of Financial Position — Trade and Other Receivables and Prepayments — Other receivables and prepayments."

### ***Payment terms and credit periods for our consultancy services***

We receive a fee for our consultancy services. Depending on the contracts, the fees are generally calculated either (i) as periodic fixed fees, typically with a 30-day credit term, regardless of the performance of the relevant communities, or (ii) as a percentage of our counter-parties' revenue from managing the relevant communities, which are typically payable monthly with a 30-day credit term. In addition, although we had not generated community leasing, sales and other services profit from residential communities subject to the consultancy arrangements in 2013, any such profit in the future will be periodically shared between our Group and the regional property management companies based on the agreed percentages.

### ***Legality of the consultancy arrangements***

Our PRC legal advisor has advised us that pursuant to the Regulation on Realty Management (《物業管理條例》), property management companies can delegate certain specialized property management services within the area under their management to specialized service providers. Based on such regulation, our PRC legal advisor confirms that it is legally permissible for the Company to enter into our consultancy agreements because (i) we contract with other property management companies and not property developers or property owners' associations representing the property owners, (ii) we only provide consultation and advice to other property management companies, and only certain specialized property management services to the residents and property owners, such as the treasury function, and (iii) our consultancy service fees are paid by our counter-parties and not the property owners. Our PRC legal advisor further confirms that the consultancy agreements are legal, valid and binding on the contracting parties.

To the best of our knowledge, our consultancy services agreements do not violate any property management contracts entered into by our counter-parties with the relevant property owners' associations or property developers. Furthermore, our PRC legal advisor confirms that even if a property developer or property owners' association challenges the consultancy arrangements, it does not have any direct legal claims against us as it is not a party to the consultancy services agreements. Therefore, our consultancy agreements are not subject to challenges from or terminations by the property developer or property owners' association.

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The table below compares the main differences between our property management services and consultancy services:

	<u>Property management services</u>	<u>Consultancy services</u>
Contract counter-parties. ....	Property developers or property owners' associations	Regional property management companies
Our primary responsibilities and obligations. ....	<ul style="list-style-type: none"> <li>• Security services</li> <li>• Cleaning and gardening services</li> <li>• Repair and maintenance services</li> <li>• Pre-sale services</li> </ul>	<ul style="list-style-type: none"> <li>• Provide consultation and advice</li> </ul>
Treasury function .....	We provide treasury function to residential communities we manage on a commission basis	We provide treasury function to residential communities our counter-parties manage on a commission basis
Use of sub-contractors .....	We may engage sub-contractors to provide certain property management services	Regional property management companies may engage sub-contractors to provide certain property management services
Major suppliers .....	Sub-contractors providing services such as cleaning, gardening and landscaping to the residential communities we manage	There are no major suppliers
Customers .....	Property developers and property owners' associations of the residential communities managed by us	Regional property management companies

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	<b>Property management services</b>	<b>Consultancy services</b>
Payment terms and credit periods .....	Typically monthly payments payable within 30 to 90 days, with selective extension to up to one year for customers with good credit history	<ul style="list-style-type: none"> <li>• Periodic fixed fees, typically with a 30-day credit term, or</li> <li>• A percentage of our counter-parties' revenue, typically payable monthly with a 30-day credit term</li> </ul>
Credit risks .....	Credit risks mainly result from our treasury function provided to residential communities we manage on a commission basis, which have led to payments on behalf of residents. We have the legal right to recover such receivables from the property owners	Credit risks mainly result from our treasury function provided to residential communities our counter-parties manage on a commission basis, which have led to payments on behalf of residents for residential communities under consultancy service arrangements. We have the legal right to recover such receivables from our counter-parties
Employees .....	Headquarters and on-site staff	Headquarters staff and advisors we dispatch on-site



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### Expiration Schedule for Property Management Contracts

As of December 31, 2013, we managed 436 residential communities and provide consultancy services to 179 residential communities. The table below sets forth the expiration schedule of the related property management contracts based on their contractual terms and their contribution to our revenue in 2013:

	Number of residential communities or pure commercial properties and corresponding contracted GFA				Contribution to revenue in 2013		Contribution as a percentage to total property management services revenue in 2013	
	Residential communities or pure commercial properties managed by us		Residential communities or pure commercial properties under our consultancy service arrangements		Residential communities or pure commercial properties managed by us	Residential communities or pure commercial properties under our consultancy service arrangements	Residential communities or pure commercial properties managed by us	Residential communities or pure commercial properties under our consultancy service arrangements
	Number	('000 sq.m.)	Number	('000 sq.m.)	(RMB'000)	(RMB'000)	(%)	(%)
<b>Residential communities property management contracts expiring in</b>								
Year ending December 31, 2014 . . . .								
Communities we were contracted to manage . . . . .	35	4,963	1	1	12,529	—	9.1	—
Communities we provided services to beyond contract expiration <sup>(1)</sup> . . . .	133	10,599	1	52	35,460	—	25.9	—
Year ending December 31, 2015 . . . .	41	7,667	10	413	15,873	—	11.6	—
Year ending December 31, 2016 and afterwards . . . . .	68	12,335	154	26,153	10,912	528	8.0	0.4
Not specified <sup>(2)</sup> . . . . .	159	27,721	13	1,629	33,760	—	24.7	—
<b>Subtotal . . . . .</b>	<b>436</b>	<b>63,285</b>	<b>179</b>	<b>28,248</b>	<b>108,534</b>	<b>528</b>	<b>79.3</b>	<b>0.4</b>
<b>Pure commercial properties property management contracts expiring in</b>								
Year ending December 31, 2014 . . . .								
Properties we were contracted to manage . . . . .	2	63	—	—	216	—	0.2	—
Properties we provided services to beyond contract expiration <sup>(1)</sup> . . . .	3	39	—	—	42	—	0.0	—
Year ending December 31, 2015 . . . .	—	—	1	42	—	—	—	—
Year ending December 31, 2016 and afterwards . . . . .	4	225	—	—	25,540	—	18.6	—
Not specified <sup>(2)</sup> . . . . .	5	370	—	—	502	—	0.4	—
<b>Subtotal . . . . .</b>	<b>14</b>	<b>697</b>	<b>1</b>	<b>42</b>	<b>26,300</b>	<b>—</b>	<b>19.2</b>	<b>—</b>
<b>Total . . . . .</b>	<b>450</b>	<b>63,982</b>	<b>180</b>	<b>28,290</b>	<b>134,834<sup>(3)</sup></b>	<b>528<sup>(3)</sup></b>	<b>98.5<sup>(3)</sup></b>	<b>0.4<sup>(3)</sup></b>

Notes:

- (1) We continued to provide services to these residential communities and pure commercial properties as of December 31, 2013 despite the relevant property management contracts had expired.
- (2) The majority of these property management contracts are with property developers and will expire when the respective property owners' associations are formed and enter into new property management contracts, while the remaining contracts do not specify their expiration dates.
- (3) Excluding revenue generated from property management contracts that expired in 2013.

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For more information regarding the pure commercial properties, see the section entitled “Relationship with Our Controlling Shareholder — Relationship and Strategy — Strategy — 15 pure commercial properties managed (or provided consultancy services to) by our Group.”

During the Track Record Period, we continued to provide services on the same terms to certain residential communities and pure commercial properties despite the relevant property management contracts had expired. As of December 31, 2011, 2012 and 2013, we provided services to 65, 84 and 136 communities and properties, respectively, under such arrangements. Those 65 and 84 communities and properties we managed as of December 31, 2011 and 2012, respectively, were still under our management as of December 31, 2013. This type of work relationship may be unilaterally terminated by either party. In 2011, 2012 and 2013, we ceased to provide services to two, three and nil communities due to our counter-parties’ unilateral decision to terminate, respectively.

### **Decision to Expand through Growing Property Management Services or Consultancy Arrangements**

It is our general policy to expand our presence by growing our property management services, either through organic growth of new engagements with property developers or property owners’ association, or through acquiring other property management companies. However, certain areas we decide to expand to may not have immediately suitable opportunities for organic growth or acquisitions. Under such circumstances, we may consider entering into consultancy arrangements with regional property management companies.

### **Selection Process of Target Communities for Expanding Our Property Management Services**

Since commencement of our business in 2002, we had grown our presence from Shenzhen to 60 cities in the PRC where we were contracted to manage 436 residential communities and provide consultancy services to 179 residential communities as of December 31, 2013. Our marketing department performs our market research and business development functions. We selectively evaluate opportunities in cities with high population in economically developed regions, such as provincial capitals, first-tier and second-tier cities. Once we have established a presence in a new city, we seek to expand our business within the same city or neighboring cities with a view to maximizing our economies of scale.

### ***Organic growth via obtaining new service contracts***

We are typically appointed as the property management company to service residential communities through competitive bidding. Bid solicitations are generally from the property developers for residential communities under development, or from property owners’ associations for completed residential communities that wish to replace their then existing residential property management companies.

### ***New property management service contracts identification process and channels***

For organic growth, we select our customers based on their property portfolio, background and development timetable of the target communities. We also conduct a feasibility analysis on the target communities’ financial status and profit and cash flow forecast. After collecting all the information on the target communities and target customers, we perform data analysis to select the projects with higher profit margins, higher profiles and larger scale project developments. When we bid for new property management contracts, we consider the potential cost savings we can realize via automation and other equipment upgrade services through our equipment leasing program, which help us lower our proposed property management fees in our bids.

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### **External acquisitions of property management companies**

In recent years, we have also successfully grown our coverage by acquiring regional residential property management companies which manage multiple residential communities in the same region where we operate. The table below sets forth certain information about the property management companies (including their respective subsidiaries) we acquired during the Track Record Period:

Name of company acquired	Effective Acquisition date <sup>(1)</sup>	Equity interest acquired <sup>(2)</sup>	Consideration (RMB'000)	Geographical location	Contracted GFA ('000 sq.m.) <sup>(2)(3)</sup>	Number of properties <sup>(2)(3)</sup>
<b>For the year ended December 31, 2011</b>						
Huizhou Youlin Property Management . . . . .	July 2011	100.0%	500	Southern China (excluding Shenzhen)	51	2
Shenzhen Robert Housekeeper . . . . .	July 2011	51.0%	600	Shenzhen	81	1
<b>For the year ended December 31, 2012</b>						
Tieling Zhengnan Property Management . . . . .	January 2012	51.0%	1,980	Northeastern China	241	4
Shaanxi Liantang Property Service . . . . .	July 2012	100.0%	800	Northwestern China	236	2
Heyuan Colour Life Property Management . . . . .	August 2012	100.0%	5,680	Southern China (excluding Shenzhen)	1,033	5
<b>For the year ended December 31, 2013</b>						
Qinhuangdao Hongtianyuan Property Service . . . . .	January 2013	51.0%	2,980	Northern China	3,286	24
Nanjing Mingcheng Property Management . . . . .	January 2013	90.0%	5,680	Eastern China	1,457	24
Shaanxi Colour Life Property Management . . . . .	March 2013	51.0%	N/A <sup>(4)</sup>	Northwestern China	394	4
Nanjing Huitao Property Management . . . . .	May 2013	90.0%	5,280	Eastern China	2,836	22
Wuxi Taihu Garden Property Management . . . . .	June 2013	80.0%	3,200	Eastern China	774	8
Nanjing Jinjiang Property Management . . . . .	June 2013	90.0%	9,880	Eastern China	2,115	12
Shanghai Xinzhou Property Management . . . . .	June 2013	70.0%	13,880	Eastern China	3,260	31

**Notes:**

- (1) Effective acquisition date refers to the acquisition date for accounting purpose used for our financial statements. See note 36 of the Accountants' Report in Appendix I to this prospectus.
- (2) As of the respective acquisition dates stated above.
- (3) Figures include contracted GFA and number of properties attributable to pure commercial properties managed by the acquired companies.
- (4) For a nominal consideration of RMB1.

### **Target identification and evaluation**

We identify potential acquisition targets through our familiarity of the industry landscape. We generally seek targets that can satisfy the following conditions:

- having contracted GFA of more than 100,000 sq.m.;
- managing properties that are in good conditions, geographically concentrated and suitable for implementing our business model and strategies;

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- with total liabilities of less than RMB5.0 million; and
- with no material legal defects or obstacles.

We give priority to targets that (i) are in provincial capitals, first-tier and second-tier cities and other areas around the existing locations where we have a presence, (ii) have an internal rate of return exceeding 20% according to our estimation, and (iii) have significant business resources, such as first class qualification certificates. In recent acquisitions, we have also sought to implement numerous measures to reduce minority shareholders' influence on acquired companies' operations, including (i) specifying in the acquisition agreements that the minority shareholders do not have power to influence the operations and key managerial roles are filled by candidates we nominate, and (ii) acquiring more than 70% of the target's equity interest.

Before our senior management makes an acquisition decision, our due diligence and internal approval process requires the review of the relevant legal, financial and operational documents, including but not limited to the following:

- a feasibility analysis on factors such as the target's financial status, financial and tax implications, profit and cash flow forecast and the cost of acquisition;
- business licenses and qualification certificates;
- audited and management financial statements;
- indebtedness information; and
- documents detailing the target's property management fee arrangements.

As part of our feasibility analysis, we also consider whether the target's communities are suitable for automation and other equipment upgrades through our equipment leasing program. Based on our review of the financial performance of most of the communities three months before and after completion of the automation and equipment upgrades, we have achieved labor cost savings and in some circumstances reductions in other operating costs. Moreover, based on our review, the financial performance of the aforesaid communities has also improved, taking into account the cost of leasing the equipment, after completion of the upgrades. As such, we believe that the equipment leasing program results in enough cost savings at the community level to cover at least the cost of leasing equipment from us. The expected cost savings through our equipment leasing program also allow us to lower our pricing when we bid for new acquisition targets.

We also rely on independent third-party accounting firms to perform financial due diligence and audits on acquisitions targets. In addition, our management conducts site visits to evaluate the target's operational performance and determine whether there is room for us to make improvements. We plan to accelerate our business development by continuing to implement selective acquisitions. As of the Latest Practicable Date, we had not identified any particular acquisition target.

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### ***Post-acquisition evaluation***

After we acquire a regional residential property management company, we set up certain financial and operational goals to be accomplished during a specified time frame for each of its managed properties, including:

- establishing a financial budget and key performance indicators, such as (i) projected revenue from community leasing, sales and other services, and (ii) projected net income from property management services;
- a staffing plan;
- implementation of our standardization, centralization and automation strategy;
- automation and other equipment upgrades; and
- identification of opportunities and offerings of community leasing, sales and other services.

We evaluate the progress of each community as measured against the above-mentioned goals on a quarterly basis, and devise and implement necessary measures if deficiencies are found. Despite the net liabilities positions of our acquired entities as of December 31, 2011 and 2012, these subsidiaries were able to generate profit as a whole of approximately RMB113,000 and RMB91,000 in 2011 and 2012, respectively, since the dates of acquisition. In addition, we did not have to recognize any impairment loss on goodwill, other than with respect to Shenzhen Robert Housekeeper. Impairment assessment of post-acquisition business of the respective property management companies is based on the impairment assessment of cash-generating units of our Group's entities in the property management services segment. Please refer to the sections entitled "Financial Information — Critical Accounting Policies, Estimates and Judgments — Critical Accounting Judgments and Estimates — Estimated impairment of goodwill" for further details on the impairment assessment of cash-generating units and the section entitled "Financial Information — Description of Selected Statements of Profit or Loss Line Items — Impairment Loss Recognized on Goodwill" for more information regarding Shenzhen Robert Housekeeper.

### **Selection Considerations for Consultancy Arrangements**

When we determine to expand into certain areas which do not have immediately suitable opportunities for organic growth or acquisitions, we may consider entering into consultancy arrangements with regional property management companies.

In order to evaluate the suitability of a potential candidate, we evaluate a number of factors including but not limited to (i) the regional property management companies' financial strength, reputation and credit status, and (ii) the operational and financial performance of the residential communities they manage. Such evaluation helps us form a preliminary assessment on the potential credit risks of dealing with these potential candidates, and whether there are opportunities for us to create value by assisting the potential candidates in improving their operations and reduce their costs.

Our PRC legal advisor has advised us that our counter-parties are the relevant property management companies from whom we may seek to recover consultancy fees receivable and payments on behalf of residents for residential communities under consultancy arrangements. Therefore, their financial and credit performance affects the credit risks of our consultancy

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services. See the section entitled “Risk Factors — Risks relating to Our Business and Industry — We may face certain credit risks depending on the financial condition of the regional property management companies we entered into consultancy agreements with.” We seek to mitigate such risks through our selection considerations discussed above. Moreover, after we enter into consultancy arrangements with a regional property management company, we continuously monitor our credit risk by performing monthly trade receivables analysis and take follow-up actions to recover any overdue balance. Our accounting department also regularly review the financial status of our counter-parties. We believe that through the abovementioned measures we are able to minimize our credit risks relating to our consultancy services.

### OUR ENGINEERING SERVICES

We provide engineering services to property developers (including primarily independent property developers and to a lesser extent to the Fantasia Group) and the communities we manage through sub-contracting and collaboration with qualified third-party contractors and through our subsidiary, Shenzhen Kaiyuan Tongji, which specializes in engineering services. For details of our engineering services provided to Fantasia Group, please see the section entitled “Connected Transactions — Non-exempt Continuing Connected Transactions — 1. Provision of Engineering Services by Shenzhen Kaiyuan Tongji to the Retained Group.” Our engineering services primarily include (i) equipment installation services (consisting of automation and other hardware equipment installation services and energy-saving equipment installation services), (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through our equipment leasing program. The following table sets forth a breakdown of revenue from our engineering services segment by service type:

	Year ended December 31,					
	2011		2012		2013	
	RMB'000	% of engineering services revenue	RMB'000	% of engineering services revenue	RMB'000	% of engineering services revenue
Equipment installation services .....	34,098	72.8	47,716	80.2	34,206	66.3
Repair and maintenance services .....	12,742	27.2	11,592	19.5	14,788	28.6
Equipment leasing .....	—	—	186	0.3	2,629	5.1
<b>Total engineering services fees .....</b>	<b>46,840</b>	<b>100.0</b>	<b>59,494</b>	<b>100.0</b>	<b>51,623</b>	<b>100.0</b>

### Equipment Installation Services

#### ***Automation and other hardware equipment installation services***

We provide automation and other hardware equipment installation services to property developers, in accordance with their requirements, aiming to diversify our revenue sources and develop business relationships with property developers which have engaged us or may subsequently engage us to provide property management services when the property developments are delivered. Such services generally involve the procurement, design and installation of devices such as security monitoring systems, intercommunication devices, alarms, key card security systems and power supplies system.



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### *Completed projects*

As of December 31, 2013, we had completed 217 automation and other hardware equipment installation service projects to property developers, of which 170 projects were projects with contract value below RMB1.0 million, 39 projects were projects with contract value ranging from above RMB1.0 million to RMB4.0 million, seven projects were projects with contract value ranging from above RMB4.0 million to RMB8.0 million and one project was project with contract value above RMB8.0 million. The total contract value of those 217 completed automation and other hardware equipment installation service projects was approximately RMB154.0 million.

The following table sets forth our selected automation and other hardware equipment installation service projects completed during the Track Record Period:

<u>Location</u>	<u>Nature</u>	<u>Date of completion</u>	<u>Contract value</u>
Chengdu, Sichuan Province . . . . .	Commercial	June 2011	Approximately RMB4.0 million
Chengdu, Sichuan Province . . . . .	Commercial	August 2011	Approximately RMB8.0 million
Chengdu, Sichuan Province . . . . .	Residential	March 2012	Approximately RMB2.2 million
Chengdu, Sichuan Province . . . . .	Residential	April 2012	Approximately RMB2.5 million
Shenzhen, Guangdong Province . . .	Commercial	December 2012	Approximately RMB2.3 million

### *Projects in progress*

As of April 30, 2014, we had 43 automation and other hardware equipment installation service projects in progress, of which 20 projects had contract value below RMB1.0 million, 18 projects had contract value ranging from above RMB1.0 million to RMB4.0 million, three projects had contract value ranging from above RMB4.0 million to RMB6.0 million, and two projects with contract value above RMB6.0 million. The total contract value of those 43 equipment installation service projects in progress was approximately RMB95.3 million.

The following table sets forth our selected automation and other hardware equipment installation service projects in progress as of April 30, 2014:

<u>Location</u>	<u>Nature</u>	<u>Expected completion date</u>	<u>Contract value</u>
Tianjin . . . . .	Residential	December 2014	Approximately RMB4.2 million
Chengdu, Sichuan Province . . . . .	Residential	June 2015	Approximately RMB5.8 million
Suzhou, Jiangsu Province . . . . .	Residential	November 2014	Approximately RMB3.8 million
Suzhou, Jiangsu Province . . . . .	Residential	December 2014	Approximately RMB5.3 million
Chengdu, Sichuan Province . . . . .	Residential	August 2014	Approximately RMB3.6 million

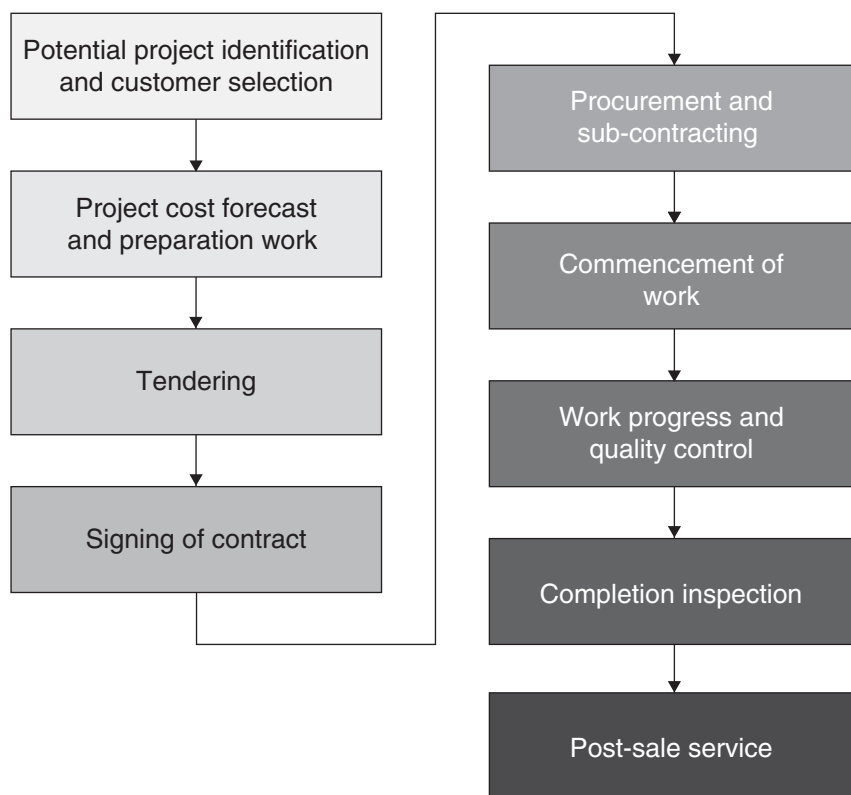
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As of April 30, 2014, we had the following selected contracted projects to be commenced:

Location	Nature	Contractual date	Expected completion date	Contract value
Wuxi, Jiangsu Province . . . . .	Commercial	January 2013	June 2014	Approximately RMB3.2 million
Dongguan, Guangdong Province . . . . .	Residential	May 2013	December 2014	Approximately RMB1.5 million
Guilin, Guangxi Zhuang Autonomous Region . . . . .	Residential	June 2013	December 2014	Approximately RMB8.6 million

### *Project workflow for automation and other hardware equipment installation services*

The following diagram illustrates the major steps in our engineering services project workflow based on our standardized procedures:



- **Potential project identification and customer selection**

Our sales and marketing team identifies potential engineering projects by maintaining relationships with property developers and performing market research on properties under development, newly built property developments and delivered property developments. Our sales and marketing team also participates in various real estate trade fairs and project bid solicitations. We select our customers based on their property portfolio, background and timetable for the intended projects. After collecting all the information on potential projects and clients, we perform data analysis to select the projects with higher profit margins, higher profiles and larger scale project developments. Once the potential project has been identified, our engineers will then discuss the needs with our prospective customers.

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- **Project cost forecast and preparation work**

Our administration department formulates project cost forecast based on the project plan and task list done by our technical department. The project manager performs an on-site survey on projected raw material usage and discusses the possible technical solution and send data to the administration department to prepare the project cost forecast and equipment and accessories quotation list.
- **Tendering**

Upon receipt of an invitation to tender, our marketing staff conducts an analysis based on customer's need in order to identify the scope of work and costs and technical requirements. A preliminary work plan is then prepared by our technicians in accordance with the requirements of the tender. After the work plan is approved by the manager of the marketing department and our general manager, the marketing staff will then prepare the tender documents.
- **Signing of contract**

After receiving the tender documents, if the project is awarded to us, we will normally enter into an agreement with the customer setting out the final contract price, scope of work and payment arrangements. We will then form a project team to implement the project.
- **Procurement and sub-contracting**

Our technical department formulates lists of necessary raw materials for each project, which is factored into the administration department's project cost forecast. Procurement of equipment and raw materials needs prior approval from the administration department, and any purchase which is not included in the project cost forecast must obtain prior approval. In the event that we need to sub-contract part of the work, we select our sub-contractors based on a number of criteria, such as their possession of relevant technical licenses and their track record. For details of sub-contracting, see the section entitled "— Sub-contracting." We maintain quality control over our sub-contractors throughout the project. We may also contract with independent third-party service providers to provide post-sale service. See the section entitled "— Quality Control — Quality Control over Third-party Sub-contractors and Procurement."
- **Commencement of work**

In preparation for our construction work, we hold technical meetings to explain to the engineering team the work plan in detail. A work plan is drafted by the technical department, which is then reviewed and revised by the project manager based on the operation's needs. The project supervisor also arranges the logistics before carrying out the work, such as accommodation for the engineering team and setting up local bank accounts.
- **Work progress and quality control**

The work period varies subject to the volume of work and complexity of each project, from approximately three months to three years. Throughout the work process, we follow our construction plan with the objective of completing the engineering work on time. However, in the event that the work plan needs to be revised, we would communicate with our customer and obtain their consent before altering the work plan. On a monthly basis, the project manager produces a progress report regarding work done in the previous month, and the report also includes costs, salary breakdown and other expenses incurred.

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We believe that quality control is key to our engineering services operations. We require all construction workers to have the relevant qualifications and we provide training for them periodically. Our quality control practice runs throughout our work process, and we only purchase raw materials from qualified suppliers. Raw materials are inspected by the project manager upon delivery. In addition, we also set out detailed requirements which the project manager has to be satisfied with for each phase of the work process before moving on to the next phase.

- **Completion inspection**

Upon completion of the work, we perform system trials typically within one month before delivery and keep a detailed record of the trials to ensure that the system is reliable. A final inspection will be carried out by our project manager and our customer. We also offer product training to our customers and keep detailed records on the training progress as part of our completion documents.

- **Post-sale service**

The customer service department is responsible for gathering feedback from customers with regards to the engineering services provided. The local engineer in charge of the project is responsible for the repair and maintenance of the project. The post-sale service team consists of staff from the maintenance department, engineering department and the technical department. We may also contract with independent third-party service providers to provide post-sale service.

### *Our pricing policy*

We generally secure new engagements through bidding processes. We price our services based on a number of factors, such as the types of engineering projects, project cost forecast, our procurement needs and the technical complexity involved.

### *Payment and credit terms*

The payment terms of the contracts are generally based on the progress of our engineering work, and payments up to a certain prescribed percentage of the contract value are made to us either on a monthly basis or by installments. The remaining contract value, except for warranty fees (generally within the range between 3% to 5% of the contract value which may be retained by our customers for up to two years after the completion inspection), is paid to us upon project completion and after we passed our customers' quality inspection. During the Track Record Period, we received certain properties from property developers as partial consideration for engineering services we provided to them. See the section entitled "Financial Information — Description of Selected Statements of Profit or Loss Line Items — Changes in Fair Value of Investment Properties."

### ***Energy-saving equipment installation services***

We assist communities we manage or provide consultancy services to in realizing energy savings by replacing their existing hardware with energy-saving equipment, such as LED lights, motion-sensor lights and energy efficient elevators. As of December 31, 2013, we had completed the installation of energy-saving equipment in 139 residential communities. We retain ownership of the devices after installation. We typically bill our customers monthly for our installation fees over a 48-month interest-free period, and such fees include our initial costs, plus a revenue component calculated either as a percentage of the energy cost saved, or fixed fees per device

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installed. We are in the process of rolling out energy-saving technologies to all properties we manage or provide consultancy services to enhance energy efficiency. The revenue generated from this service was not material during the Track Record Period since we have only started the business in the second half of 2012.



### Repair and Maintenance Services

We provide repair and maintenance services to properties we manage or provide consultancy services to. As of December 31, 2013, we were engaged to provide repair and maintenance services to 480 residential communities we manage or provide consultancy services to. The rest of the residential communities we manage or provide consultancy services to primarily use other third-party contractors or local on-site staff to provide repair and maintenance services.







We provide repair and maintenance services on various building hardware such as elevators, fire protection equipment and drainage systems. We price our repair and maintenance services based on a number of factors, such as complexity of the tasks and resources involved. For the services performed, we receive payments in installments, such as on a monthly or quarterly basis, for the services we perform.

### Equipment Leasing



Since the second half of 2012, we began our automation and other equipment upgrade services to residential communities we manage or provide consultancy services to through our equipment leasing program. As of December 31, 2013, we had completed automation and other equipment upgrades at approximately 79 residential communities. We are in the process of rolling out these equipment upgrades to more residential communities we manage or provide consultancy services to, and such upgrades primarily consist of the equipment set forth in the table below:

Equipment	Purpose	Example
Carpark security systems . . . . .	Residents may swipe their access cards at the carpark entrances to open the security gates. In addition, machines dispense tickets to visitors' vehicles before entry, which are used to exit the carparks after the visitors pay for parking.	
Vehicle remote access systems . . . . .	Residents may apply for devices to be installed on their vehicles, which can be detected by sensors to open the carpark security gates when the vehicles approach.	

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Equipment	Purpose	Example
Automatic personnel entry systems .....	Anti-tailing doors are installed at unmanned access points to the residential communities.	
Building access systems .....	Card readers are installed on main doors accessing residential buildings, which can open the doors upon sensing the appropriate access cards.	 
Remote surveillance cameras .....	Surveillance cameras are installed at key locations in the residential communities to enhance security. These surveillance cameras are monitored by operators in our headquarters.	
Electronic patrol vehicles .....	These vehicles allow our on-site staff to patrol the residential communities with increased efficiency.	
Signs .....	We set up signs primarily to advise the residents of directions, our toll free service hotline and the Colour Life website.	

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Equipment	Purpose	Example
Colour Space . . .	Colour Space is our new model of on-site management offices which have showrooms exhibiting some of the products or services offered or advertised on the Colour Life website. See the section entitled “— Our Community Leasing, Sales and Other Services — Our Offline and Online Service Platform — Colour Space.”	 

We maintain ownership over such devices during and after the contractual terms under the relevant lease agreements, which generally span over five years and are not linked to the terms of property management contracts concerning the same residential communities. In the event that the property management contract expires before the lease agreement, we have the right to uninstall the automation and other equipment and re-install them at other residential communities, which we do not expect to result in significant costs.

We determine the amount of capital expenditures required to acquire materials for the automation and other equipment upgrade services based on several factors, such as the size and technical requirements of the relevant communities. Normally, it takes about half a year to complete equipment upgrades for a community, subject to the complexity of each upgrade project. We receive monthly lease payments from the relevant communities and we price the monthly lease payments such that the initial capital expenditures can generally be recouped in approximately two to four and a half years, while an equipment leasing contract typically has a five-year term. Therefore, we believe that our pricing policy allows us to recoup our capital expenditures for our equipment leasing program within a reasonable period of time.

The revenue generated from equipment leasing was accounted for as rental income from operating leases under engineering services — equipment leasing, and amounted to nil, RMB0.2 million and RMB2.6 million in 2011, 2012 and 2013, respectively. Such revenue was not material during the Track Record Period since we have only started the automation and other equipment upgrade services through our equipment leasing program for the relevant communities in the second half of 2012. Please see the section entitled “— Contracts relating to Engineering Services — Equipment leasing.” Among the equipment leasing income of RMB2.6 million in 2013, approximately RMB1.5 million of which was related to the capital expenditure of approximately RMB4.9 million incurred in 2012. On this basis, the payback period for the equipment leasing program with the capital expenditure incurred in 2012 was approximately four years after taking into account the average gross profit margin of 77.9% for the equipment leasing business segment in 2013, and we consider that such payback period is generally in line with the basis of price determination of our equipment leasing program.



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We provide these services with a view to lowering the cost of property management services and enhancing the relevant communities' sustainability. Based on our review of the financial performance of most of the communities three months before and after completion of the automation and equipment upgrades, we have achieved labor cost savings and in some circumstances reductions in other operating costs. Moreover, based on our review, the financial performance of the aforesaid communities has also improved, taking into account the cost of leasing the equipment, after completion of the upgrades. As such, we believe that the equipment leasing program results in enough cost savings at community level to cover at least the cost of leasing equipment from us. The expected cost savings brought about through our equipment leasing program also allow us to lower our pricing when we bid for acquisition targets or new property management services engagements.

### **Contracts relating to Engineering Services**

#### ***Equipment installation services***

For automation and other hardware equipment installation services, Shenzhen Kaiyuan Tongji enters into engineering services contracts with property developers. These contracts generally set forth our work scope, quality standards and the period within which we must complete the work. These contracts also detail the models, quantities and unit prices of the equipment we are responsible for procuring, designing and installing. We are generally allowed to sub-contract with our customers' prior approval.

For energy-saving equipment installation services, Shenzhen Ancaihua Energy Investment, which is 51% owned by Shenzhen Kaiyuan Tongji, enters into contracts with the relevant property management companies for terms of up to five years. Under such contracts, we are responsible for the initial procurement and installation of energy-saving devices, and provide warranties over such devices during the contract duration.

#### ***Repair and maintenance services***

For repair and maintenance services, Shenzhen Kaiyuan Tongji enters into contracts with the relevant property management companies to provide scheduled repair and maintenance services with a typical term of up to five years. These contracts set forth our work scope, such as the equipment requiring repair and maintenance services, regularity of our services, emergency service procedures and service quality.

#### ***Equipment leasing***

For our automation and other equipment upgrade services through our equipment leasing program, Shenzhen Kaiyuan Tongji enters into lease agreements with the relevant property management companies for and on behalf of the residential communities with a typical five-year term. Under such contracts, Shenzhen Kaiyuan Tongji is generally responsible for the initial procurement and installation of automation devices. The expenditures we incur to procure these devices are recorded as property, plant and equipment on our consolidated statements of financial position, and are depreciated over a straight-line basis. Shenzhen Kaiyuan Tongji may engage sub-contractors to perform the installation services. These agreements also specify the work duration, the test-run period (generally one month), and the price and quantity of the devices to be installed.

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### OUR COMMUNITY LEASING, SALES AND OTHER SERVICES

#### Residents' and Property Owners' Demands for Local Products and Services

Our community leasing, sales and other services primarily include (i) common area rental assistance, (ii) purchase assistance, and (iii) residential and retail units rental and sales assistance. Our major community leasing, sales and other services generate one-off revenue, as the relevant revenue is generated on a per-transaction basis with our customers, except for the online rental information platform usage fees as part of our residential and retail units rental and sales assistance, which generate recurring revenue. Such recurring revenue amounted to approximately 11%, 4% and 12% of our total community leasing, sales and other services revenue in 2011, 2012 and 2013, respectively.

With the growth of our total contracted GFA as well as the number of residential communities we manage or provide consultancy services to, we see potential demand for local products and services among our large number of residents and property owners. These residents and property owners traditionally rely on sifting through a large amount of information primarily through offline channels to find relevant offerings. We believe that there is an opportunity to introduce a service platform on which the residents and property owners may find and enjoy local products and services in a more efficient manner. Leveraging the opportunities to interact with residents living in and property owners of the residential communities we manage or provide consultancy services to, we have strategically positioned ourselves between local vendors and those residents and property owners to develop a service platform on which certain community leasing, sales and other services can be sought and provided to address such demands.

The following table sets forth the breakdown of revenue generated from our community leasing, sales and other services during the Track Record Period:

	Year ended December 31,					
	2011		2012		2013	
	RMB'000	% of community leasing, sales and other services revenue	RMB'000	% of community leasing, sales and other services revenue	RMB'000	% of community leasing, sales and other services revenue
Community leasing, sales and other services						
Common area rental assistance . . . . .	6,897	27.8	9,677	30.1	14,578	32.7
Purchase assistance . . . . .	5,362	21.6	8,359	26.0	13,928	31.2
Residential and retail units rental and sales assistance . . . . .	6,306	25.4	3,960	12.3	9,166	20.5
Others <sup>(1)</sup> . . . . .	2,297	9.2	7,440	23.1	6,971	15.6
<b>Subtotal</b> . . . . .	<b>20,862</b>	<b>84.0</b>	<b>29,436</b>	<b>91.5</b>	<b>44,643</b>	<b>100.0</b>
Property agency services . . . . .	3,978	16.0	2,707	8.5	—	—
<b>Total community leasing, sales and other services fees</b> . . . . .	<b>24,840</b>	<b>100.0</b>	<b>32,143</b>	<b>100.0</b>	<b>44,643</b>	<b>100.0</b>

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Note:

- (1) These include information system software usage fees and cleaning services fees. We granted the property management offices of the properties we manage or provide consultancy services to the right to use our information system software and charge usage fees on a monthly basis. Cleaning services fees arose from our cleaning services provided to residents of the properties we manage or provide consultancy services to, to which we charged property management fees on a commission basis.

### Portfolio of Community Leasing, Sales and Other Services

We provide community leasing, sales and other services to the residents and property owners of the residential communities we manage or provide consultancy services to with an aim to improving living quality and providing convenience to such residents and property owners. We currently provide our community leasing, sales and other services primarily through our offices platform.

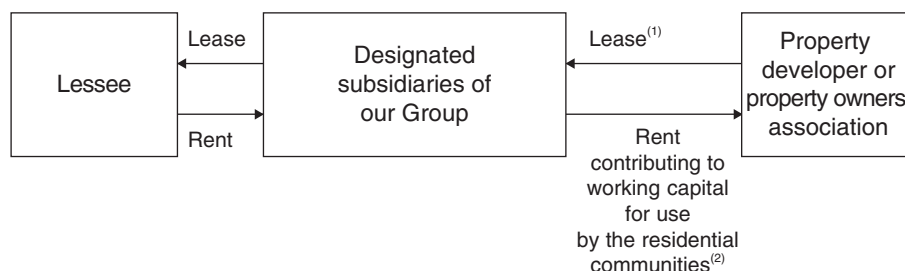
We expect our community leasing, sales and other services to continuously evolve to satisfy residents' and property owners' changing needs. In addition, our community leasing, sales and other services may vary across different residential communities, depending on a number of factors, including the local commercial environment and residents' and property owners' particular demands. As of December 31, 2013, we rendered our community leasing, sales and other services to 358 residential communities we managed or provided consultancy services to.

Our key community leasing, sales and other services can be grouped into the following major categories:

- (i) **Common area rental assistance.** Physical advertising spaces on a residential community, such as those on elevator walls or in common spaces, are the properties of the property developer or property owners. We assist them to lease out such spaces and receive a commission in return. We also provide such services with regard to extra space at a residential community, which is rented out as storage space.

Generally, our lessees are required to pay rent periodically (either every quarter, every six months or every twelve months), according to payment terms as specified in the contracts.

The diagram below generally illustrates our service process for common area rental assistance:



Notes:

- (1) The property owners grant the authorization (via their property owners' association or the representing property developer) to the property management company to lease out the common area to our designated subsidiaries for a fee.

## BUSINESS

(2) The pool of working capital is maintained on behalf of the property owners.

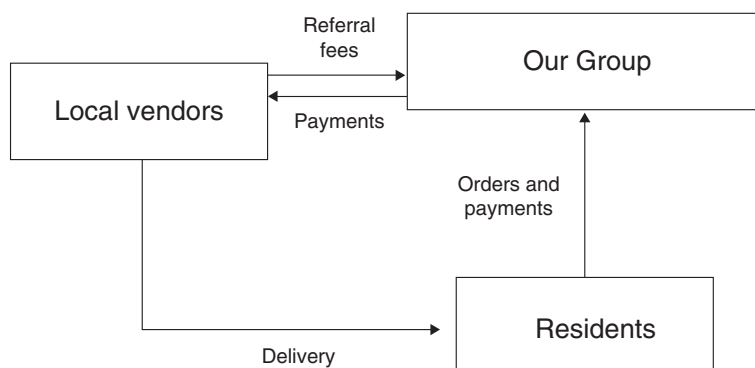
For our contractual arrangements with regard to common area rental assistance, please see the section entitled “— Key Contracts relating to Our Community Leasing, Sales and Other Services — Contracts regarding common area rental assistance.”

(ii) **Purchase assistance.** Depending on the product or service types, residents may place orders at our on-site management offices, through a toll free service hotline, or through the Colour Life website that covered 358 residential communities as of December 31, 2013.

Typically, for purchases of rice, bottled water and cooking oil, residents place orders at our on-site management office or through our toll free service hotline. Our on-site management offices maintain a level of inventory of bottled water to meet residents’ immediate needs. Based on our orders, the bottled water, cooking oil and rice suppliers will make deliveries to the residential communities we manage or provide consultancy services to. The payments are normally settled upon delivery and we either receive a percentage of the sales price or a fixed fee as referral fees from the suppliers. In addition, we also purchase and maintain our own inventory of fruits, which we sell to the residents living in the communities.

In addition, residents may place orders online if they live in residential communities to which we provide online purchase assistance through the Colour Life website. Residents who purchase local products and services offered by our selected local vendors may place and settle their orders on the Colour Life website. As referral fees, we retain a portion of the payments paid by residents when orders are placed and settled through the Colour Life website. Please also see “— Our Offline and Online Service Platform.”

The diagram below illustrates our service process for offline purchase assistance:



For our contractual arrangements with regard to purchase assistance, please see the section entitled “— Key Contracts relating to Our Community Leasing, Sales and Other Services — Contracts regarding purchase assistance services.”

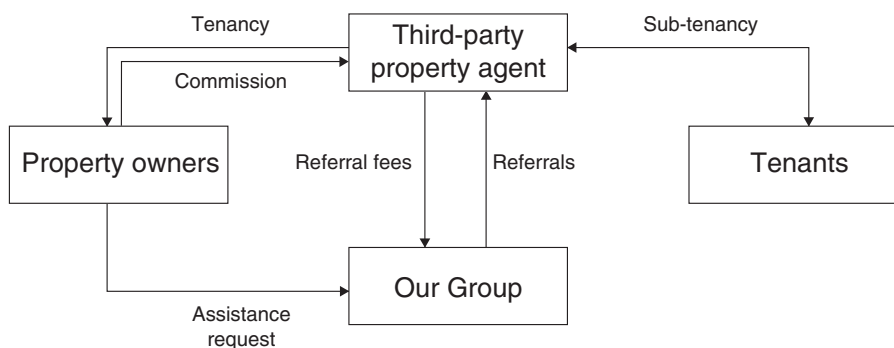
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(iii) **Residential and retail units rental and sales assistance.** When a landlord seeks rental assistance from us, we refer the case to an independent third-party property agent, who rents the unit from the landlord as the primary tenant for a fixed term, and sub-leases the unit to an appropriate tenant either at a premium or for rent for the period that covers the rent-free period enjoyed by the primary tenant. For each successful referral, we are entitled to receiving referral fees calculated as a fixed fee, plus a percentage of the revenue by the property agent for using our online rental information platform (if applicable). In dealing with the sub-tenant, the property agent assumes all obligations that a landlord would normally be responsible for. In addition to rental assistance, we also refer property owners seeking to sell their units to an independent third-party property agent and receive referral fees calculated as a percentage of the commission such agent receives from the owners.

In 2011, we also had a sub-leasing operation whereby we entered into lease agreements with landlords and then sub-leased the properties to various lessees. We recognized the net difference between the lease and sub-lease rental charges as our revenue. We have gradually phased out this practice and replaced it with the arrangements described in the paragraph immediately above.

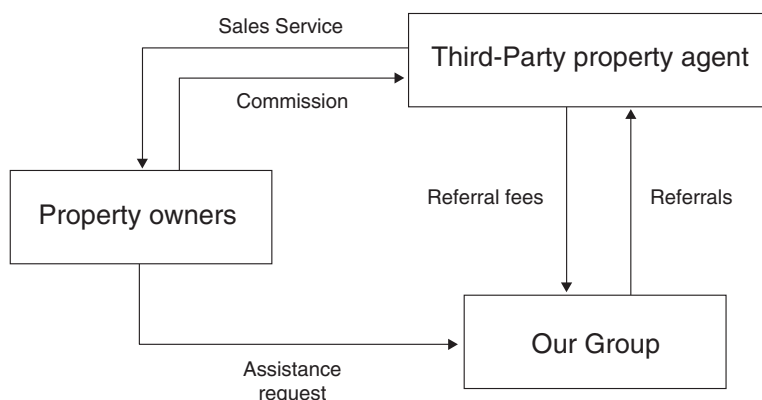
For our contractual arrangements with regard to residential and retail units rental and sales assistance, please see the section entitled “— Key Contracts relating to Our Community Leasing, Sales and Other Services — Contracts regarding residential and retail units rental and sales assistance.”

The diagram below illustrates our service process for residential and retail units rental assistance:



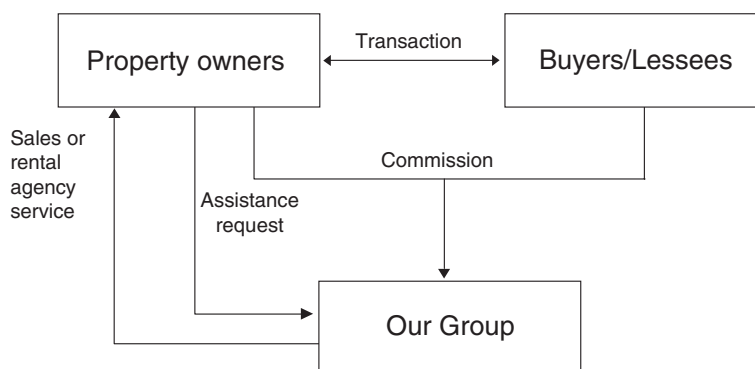
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The diagram below illustrates our service process for residential and retail units sales assistance:



- (iv) Property agency services.** In the past, our subsidiary, Shenzhen Xingyanhang Real Estate provided property agency services to property owners who sought to rent or sell their properties in the residential communities we managed. Shenzhen Xingyanhang Real Estate received commissions when the properties were leased or sold. Due to the labor intensive nature of property agency services, we believe that they diverted our management’s attention from developing our service platform. As a result, we gradually phase out our property agency services over the Track Record Period and replaced it with our residential and retail units rental and sales assistance services through third-party property agents as described above in order to better concentrate on developing our service platform.

The diagram below illustrates our service process for property agency services:



### Our Offline and Online Service Platform

We currently provide our community leasing, sales and other services through our offline platform where residents may place orders at our on-site management offices or through a toll free service hotline. We plan to develop an online platform by further rolling out the coverage of the Colour Life website and marketing our online services with Colour Space. Please see the section entitled “— Colour Space.”

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### ***Colour Life website***

We plan to further roll out the coverage of the Colour Life website, [www.colourlife.com](http://www.colourlife.com). Each resident living at a residential community we manage or provide consultancy services to, where available, is eligible to register an account to gain access to the website. The website is also accessible through a mobile application.

The Colour Life website is location-targeted, as the types of products and services offered on the Colour Life website vary between different residential communities. We tally and relay online orders to the relevant local vendors. Residents may select different fulfillment methods, depending on the types of products ordered. Local vendors may provide home delivery, or provide services or products at designated locations, depending on the types of services or products offered. Residents may settle their product and service purchases when they make the order online with bank or credit cards, or with cash upon delivery.

As of December 31, 2013, the Colour Life website was available for 358 residential communities we managed or provided consultancy services to.

### ***Colour Space***

We plan to market an online services platform through Colour Space, which is an on-site showroom where vendors can showcase their products and services offered or advertised on the Colour Life website. We have previously collaborated with local vendors such as wedding photographers, hotels and movie theaters to showcase their products and services at our Colour Space. Residents may interact with local vendors and have hands-on experience with their products and services. Furthermore, Colour Space provides a physical location where we can educate the residents on how to use the Colour Life website. Please see the section entitled “— Our Engineering Services — Equipment Leasing.”

As of December 31, 2013, we had set up Colour Space in 77 residential communities we managed or provided consultancy services to.

### **Partnership with Local Vendors**

We believe that our service platform offers unique benefits to local vendors and has distinctive advantages over competing advertising venues, such as pure e-commerce businesses. Advertisements on other e-commerce websites are generally not location-targeted, and users need to sift through a large amount of information to find offers relevant to them. In comparison, we mainly feature local vendors in the immediate vicinity centering around a residential community, which we believe would help local vendors target the most likely customers, and facilitate residents’ search for the most relevant deals. Furthermore, we believe our location targeted services also attract local vendors such as small neighborhood restaurants which residents may be interested in visiting without the need for such restaurants to advertise on a nationwide e-commerce website.

Our on-site teams actively reach out to vendors in the business circles surrounding the residential communities we manage and invite them to promote their products and services on our service platform. We carefully evaluate which local vendors to collaborate to offer quality products and services on our service platform. Please see the section entitled “— Quality Control — Quality Control over Vendors.”



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### **Key Contracts relating to Our Community Leasing, Sales and Other Services**

#### ***Contracts regarding common area rental assistance***

As a property management company, we have the authority from the property developers or property owners' associations to lease out common areas to third-party users under our property management contracts. Our property management subsidiaries (representing the authorizing parties) generally lease such spaces out to one of our designated subsidiaries, such as Shenzhen Colour Life Network Service. The contracts generally have terms of up to three years, under which our designated subsidiary makes a monthly rental payment to our respective property management subsidiaries. Such payments are treated by our property management subsidiaries as additional working capital for use by the residential communities. The designated subsidiary then contracts with third parties such as advertising companies or persons in need of storage space to lease out the contracted spaces. Such contracts typically set forth the areas subject to the lease. These contracts generally expire after a year, and are renewable upon mutual agreement.

#### ***Contracts regarding purchase assistance services***

We enter into cooperation agreements with qualified vendors to supply products and services. These agreements have terms ranging from one year to approximately 10 years. We may be responsible for providing storage space on the residential communities we manage for the vendors to maintain on-site inventories, over which the vendors retain ownership. Residents normally pay for their ordered products upon delivery, and we either receive a percentage of the sales price or a fixed fee as referral fees from the suppliers.

#### ***Contracts regarding residential and retail units rental and sales assistance***

We enter into contractual arrangements with property agents to provide rental and sales assistance to owners of residential or retail units on the residential communities we manage. Under the contracts, we are responsible for collecting information on owners who intend to rent out or sell their property units and relay such information to the property agent. For retail units, we receive a commission for each referral that results in a successful lease. The property agent enters into entrustment agreements with the property owners, under which the property agent is authorized to manage and lease out the properties on the owners' behalf. The property agent then enters into leases with the tenants and collects lease payments. According to the terms of such entrustment agreements and leases, conflicts arising under them are to be resolved between the property owners and the property agent and between the property agents and the tenants, respectively.

The key contractual arrangement we enter into with property agents is the agreement we entered into with Shenzhen Caizhijia Real Estate Planning Co., Ltd. (深圳市彩之家房地產策劃有限公司) (“**Caizhijia**”), an independent third-party. According to the agreement, the commission for agency services we provide to Caizhijia in each year will be determined and finalized between both parties by the end of the same year, and Caizhijia is to settle the agency fees payable in six equal installments between July and December in the following year. In addition, we entered into an agreement to allow Caizhijia to use our online rental information platform. We bill Caizhijia twelve months after the end of each reporting period on the trade receivables in relation to Caizhijia's usage of the online rental information platform. Upon meeting the revenue recognition criteria, agency fees and platform usage fees recognized prior to the issuance of invoices are recognized in the consolidated statements of financial position as invoices to be issued. Invoices to be issued in relation to the agency fees are recognized as trade receivables upon issuance of invoices between July and December in the following year.

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In 2011, 2012 and 2013, revenue generated from our transactions with Caizhijia in relation to our residential and retail units rental and sales assistance, which consisted of agency fees and platform usage fees, amounted to RMB3.6 million, RMB4.0 million and RMB9.2 million, respectively. Such revenue resulted in the same amounts of gross profit, as no direct cost was attributable to these transactions. Furthermore, as of December 31, 2011, 2012 and 2013, our transactions with Caizhijia in relation to our residential and retail units rental and sales assistance resulted in invoices to be issued of RMB4.0 million, RMB5.9 million and RMB7.0 million, respectively. Such balances had all been subsequently settled as of the Latest Practicable Date except for invoices to be issued as of December 31, 2013, which will become due in 2014. For more information, see the section entitled “Financial Information — Description of Certain Items in Statements of Financial Position — Trade and Other Receivables and Prepayments.” In addition, we had trade receivables from Caizhijia of RMB0.8 million, RMB1.9 million and RMB2.0 million as of December 31, 2011, 2012 and 2013, respectively, which had all been subsequently settled as of the Latest Practicable Date.

As of the Latest Practicable Date, none of our investment properties was leased to Caizhijia.

### SUB-CONTRACTING

To utilize our own workforce more efficiently, we delegate certain property management and engineering services, such as security, cleaning, gardening, repair and maintenance and equipment installation services to qualified third-party sub-contractors, which to our best knowledge and belief, are independent third parties. We constantly monitor and evaluate third-party sub-contractors on their ability to meet our requirements and standards. We also coordinate different services among different third-party sub-contractors and our specialized subsidiaries. We aim to create and maintain an effective and comprehensive system for sub-contractor management.

To ensure the overall quality of our works, we have maintained a list of third-party sub-contractors, the selection of which are based on factors, including them having the required licenses, their previous job references, reputation in the industry, past track records and price competitiveness of their quotations.

A typical sub-contracting agreement entered into between our sub-contractor and us generally includes the following material terms:

- scope of works and sub-contracting rates, inclusive of the labor costs and miscellaneous expenses to be incurred by the sub-contractor;
- rights and obligations of the parties, such as the arrangement as to which party is responsible for maintaining the applicable insurance and the sub-contractors' obligations to follow our instructions. The sub-contractor is usually responsible for maintaining the applicable insurance;
- prohibition of assignment or further sub-contracting by the sub-contractor of its works without approval;
- damages to be payable by our sub-contractor if the sub-contractor fails to complete the works before the specified completion date;
- our right to retain a warranty fee, which would be released to the sub-contractor upon expiration of the warranty period if the work quality meets the requisite standards;

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- compliance with the relevant safety rules and regulations in connection with the works; and
- undertaking by sub-contractor to indemnify us under certain circumstances, such as any breach, non-observant or non-performance by the sub-contractor or any act or omission of the sub-contractor resulting in liability claims by our customers.

As of the Latest Practicable Date, none of our Directors, their associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our share capital or had any interest in any of our five largest sub-contractors. We have established business relationships with most of our major suppliers for over three years.

### OUR SUPPLIERS

The table below sets forth our major suppliers for each of our three business segments:

Business segment	Major suppliers
<b>Property management services</b>	Sub-contractors providing services such as cleaning, gardening and landscaping to the residential communities we manage
<b>Engineering services</b>	Sub-contractors and equipment suppliers
<b>Community leasing, sales and other services</b>	N/A <sup>(1)</sup>

Note:

(1) Including suppliers of products regarding which we maintain a small inventory.

Our major suppliers are raw material suppliers for our engineering services segment, all of which have operations in the PRC. We have established business relationships with most of our major suppliers for over five years. In 2011, 2012 and 2013, our five largest suppliers accounted for approximately 32.7%, 32.9% and 68.4% of our total purchases, respectively, and our largest supplier accounted for 14.5%, 14.0% and 23.6% of our total purchases, respectively. During the Track Record Period, we did not experience any material delay in receiving products or services from our suppliers. Please also see section entitled “Risk Factors — Risks relating to Our Business and Industry — We rely on third-party sub-contractors to perform certain property management and engineering services.”

We generally enter into contracts with third-party raw material suppliers for our engineering services for a term of one to three years. We generally procure raw materials based on business needs and keep a low level of inventory. The contract usually fixes the price of the raw materials, states the raw materials to be supplied and the quantity. We receive credit terms of up to 30 days to settle the raw material purchase payables with suppliers based on the contract terms.

We generally enter into contracts with third-party sub-contractors for our property management services for a term of one year. The contract defines the scope of work, such as cleaning and garbage removal, and the service frequency. The third-party sub-contractors are required to manage their own staff, and assume liabilities for their operations. We generally receive credit terms of 30 to 60 days from third-party sub-contractors of our property management and engineering services.

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We did not enter into any material contracts with our community leasing, sales and other services suppliers during the Track Record Period.

As of the Latest Practicable Date, none of our Directors, their associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our five largest suppliers.

### OUR CUSTOMERS

The table below sets forth the types of our major customers for each of our three business segments:

<b>Business segment</b>	<b>Major customers</b>
<b>Property management services</b>	Property developers and property owners' associations of the residential communities managed by us
<b>Engineering services</b>	Property developers and property owners' associations of the residential communities managed by us
<b>Community leasing, sales and other services</b>	Local vendors, including the third-party property agent we collaborate with

We have established business relationships with most of our major customers for approximately three to five years. For the year ended December 31, 2011, 2012 and 2013, our five largest customers accounted for approximately 13.6%, 8.9% and 9.9% of our revenue, respectively, and our largest customer accounted for 5.7%, 2.2% and 4.4% of our revenue, respectively.

Property management services fees from property management services become due in accordance with the terms of the relevant property service agreements, normally within 30 days from the date of service provided. However, we may selectively extend the credit period to up to one year for a few customers for our property managements services on a lump sum basis and for our pre-sale services customers with good credit history. The credit term granted to our pre-sale services customers typically ranges from 30 to 90 days. For further information on payment and credit terms with customers for our equipment installation services, please see the section entitled “— Our Engineering Services — Equipment Installation Services — Automation and other hardware equipment installation services — Payment and credit terms.”

For customers of our community leasing, sales and other services, depending on the types of services involved, we may grant credit terms of up to 12 months.

## BUSINESS

Five of Fantasia Holdings' subsidiaries, namely Tianjin Songjiang Fantasia Real Estate Company Limited (天津松江花樣年置業有限公司), Suzhou Huawanli Property Development Company Limited (蘇州市花萬里房地產開發有限公司), Chengdu Huabaili Real Estate Company Limited (成都花百里置業有限公司), Wuxi Fantasia Property Development Company Limited (無錫花樣年房地產開發有限公司) and Tianjin Huaqianli Property Development Company Limited (天津市花千里房地產開發有限公司), were among our top five customers during the Track Record Period. For the three years ended December 31, 2013, revenue derived from our transactions with these five entities accounted for 7.3%, 1.2%, 1.7%, 1.6% and 1.2% of our total revenue, respectively. Save for these five entities, as of the Latest Practicable Date, none of our Directors, their associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our five largest customers.

## MARKETING

We have a marketing team based in our headquarters, which is responsible for planning and developing our overall marketing strategies, conducting market research and coordinating all of our marketing activities such as promoting our brand and service capabilities to property developers and property owners' associations. They liaise with relevant industry organizations from time to time to promote our business and enhance our brand recognition across various regions. In addition, our marketing department is responsible for further strengthening our existing relationships and developing new relationships with property developers across different regions. Our headquarters marketing team supervises various regional marketing teams which in turn oversee marketing activities by on-site staffs.

Our marketing team is responsible for maintaining relationships with property developers in the region for our property management business and engineering business. Our on-site staff is responsible for promoting our business model to the local vendors, maintaining relationships with them and inviting them to advertise their products and services on our service platform to the residents of the communities managed by us. During the Track Record Period, we also outsourced marketing activities. For further details, please see the section entitled "Financial Information — Description of Selected Statements of Profit or Loss Line Items — Selling and Distribution Expenses."

We believe that our marketing efforts increase property developers' and property owners' associations' familiarity with our brand and our service capacities. In addition, we believe that through our marketing activities we have increased the number of local vendors that advertise and provide products or services through our service platform. The scale of our vendor pool creates an opportunity for us to further enhance our service platform's appeal to property developers, property owners' associations, property owners and the residents. As we are looking into enhancing our presence in currently operated markets and entering into new markets, we plan to expand our marketing team to service the business needs across our business sectors.

## BUSINESS

### TOLL FREE SERVICE HOTLINE

In order to provide a better customer experience and enhance our customer service, we offer a toll free service hotline for residents living in the residential communities we manage. Through the hotline, they can provide us with their complaints and feedback, as well as order products that are advertised on our service platform. The residents can also call our hotline to request for home maintenance service.



### COMPETITION

The PRC property management industry is highly fragmented. Our major competitors include large national, regional and local residential property management companies, some of which may have better track records and greater financial and other resources, greater name recognition and greater economies of scale than us. We compete with our major competitors in relation to a number of factors, including primarily scale, brand recognition, financial resources, price, service quality and other factors. Our engineering services compete with other property management companies as well as engineering companies providing similar services. Moreover, as local vendors advertise on our service platform, we also face competition from other advertising venues, such as e-commerce businesses.

We believe that our standardization, centralization and automation of our property management business help us reduce costs and improve on-site staff's efficiency. We strive to continuously develop our community leasing, sales and other services platform to cater to the residents' and property owners' needs for local products and services, which increase our competitiveness in the property management industry. For more information, please see the sections entitled "Risk Factors — Risks relating to our Business and Industry — We are in a highly competitive business with numerous competitors and if we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected" and "Industry Overview — Property Management Industry in the PRC — Competition."

## BUSINESS


We believe the qualification criteria to become a property management company under relevant PRC laws and regulations, especially those relating to first class property management companies, are barriers to potential entrants into the property management industry. As of the Latest Practicable Date, four, three and six of our operating subsidiaries and associate company were qualified as first, second and third class property management companies under the relevant PRC laws and regulations, respectively. For classifications of different classes of property management companies, please see section entitled “Laws and Regulations relating to the Industry — Legal Supervision over the Property Management Sector in the PRC — The Qualification of Property Management Enterprises.”

### RESEARCH AND DEVELOPMENT

As of December 31, 2013, our in-house research and development department had eight staff, the majority of whom had over 10 years of experience in research and development, and they are responsible for the maintenance of our office management system (for centralized management of our property management business) and repair and maintenance of the Colour Life website. In addition to conducting maintenance of our office management system and the Colour Life website, they are responsible for collaborating with external information technology companies to develop technological solutions.

During the Track Record Period, we used a property management fee payment system and enterprise resources planning system to help us better manage and enhance the efficiency and consistency of our services. In the future, we are looking into investing more resources to develop the customer relationship management system and remote surveillance system to further streamline our standardization, centralization and automation business model. We sub-contract a substantial amount of research and development work to external information technology companies.

### INTELLECTUAL PROPERTY RIGHTS

Our intellectual property is a key component to our strong brand recognition and is an integral part of our business. We are the registered owner of trademarks concerning our “Colour Life” mark, “.” In addition, we consider the Colour Life website to be an additional channel for our community leasing, sales and other services platform. We enjoy the economic benefits generated from the [www.colourlife.com](http://www.colourlife.com) website operated by our subsidiary through the Structured Contracts, details of which are set forth in the section entitled “History, Reorganization and the Group Structure — The Structured Contracts.”

As of the Latest Practicable Date, our material intellectual property rights included 22 trademarks registered in the PRC and six domain names of which we were the registered proprietor.

As of the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. Further details of our intellectual property rights are set out in the section entitled “Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights of Our Group” in Appendix IV to this prospectus.



## BUSINESS

### EMPLOYEES

We employed 7,739 full-time employees as of December 31, 2013. We also sub-contract part of the labor-intensive work, such as gardening and cleaning to third-party sub-contractors. A breakdown of our employees by function as of December 31, 2013 is set forth below:

Function	Number of employees		
	Labor costs borne by us		
	Headquarters and regional offices	On-site staff in communities managed on a lump sum basis	Labor costs borne by the communities managed on a commission basis <sup>(1)</sup>
Security, Cleaning & Others . . .	102	231	5,535
Engineering . . . . .	159	25	397
Technical . . . . .	71	—	1
Operation . . . . .	27	16	294
Sales & Marketing . . . . .	58	—	1
Research & Development . . . . .	8	—	—
Quality Control . . . . .	28	—	1
Administration . . . . .	196	17	23
Legal & Accounting . . . . .	57	14	226
Others . . . . .	35	10	207
<b>Total</b> . . . . .	<b>741</b>	<b>313</b>	<b>6,685</b>

A breakdown of our employees by geographic location as of December 31, 2013 is set forth below:

Geographical regions	Number of employees		
	Labor costs borne by us		
	Headquarters and regional offices	On-site staff in communities managed on a lump sum basis	Labor costs borne by the communities managed on a commission basis <sup>(1)</sup>
Shenzhen . . . . .	280	129	977
Southern China (excluding Shenzhen) . . . . .	108	—	1,354
Eastern China . . . . .	224	51	2,464
Southwestern China . . . . .	43	13	683
Northeastern China . . . . .	8	2	357
Northwestern China . . . . .	75	104	675
Northern China . . . . .	3	14	175
<b>Total</b> . . . . .	<b>741</b>	<b>313</b>	<b>6,685</b>

Note:

- (1) The labor costs of on-site staff in communities managed on a commission basis are paid with monies managed on behalf of such communities. As a result, our financial statements do not recognize their labor costs.

## **BUSINESS**

We enter into individual employment contracts with our employees covering matters such as work location, scope of work, work hours, wages, employee benefits, safety and sanitary conditions at the workplace, confidentiality obligations and grounds for termination. These employment contracts either have no fixed terms, or if there are fixed terms, the terms are generally up to three years, after which we evaluate renewals based on performance appraisals.

All of our full-time employees are paid a fixed salary and may be granted other allowances, based on their positions. In addition, discretionary bonuses may also be awarded to our employees based on employee performances. We conduct regular performance appraisals to ensure that our employees receive feedback on their performances.

We cooperate with certain vocational schools to conduct training classes and provide such schools with lecture materials. We hire qualified students after they complete their courses and obtain necessary qualifications to supplement our staffing needs. Furthermore, through a comprehensive internal staff training system which we call the “Colour Life College,” we continue to provide classroom and online training to our staff to enhance technical and service knowledge as well as knowledge of industry quality standards and work place safety standards. We have maintained good working relationships with our employees. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. During the Track Record Period, no significant labor disputes occurred which adversely affected or were likely to have an adverse effect on our business.

### **QUALITY CONTROL**

As of December 31, 2013, our quality control department consisted of 29 staff members mainly focused on, among others, preparing services procedures, quality standards and work flowcharts and supervising and reviewing performance. Our quality control team has an average of seven years of relevant industry experience.

#### **Quality Control over Property Management Services**

We are certified under ISO 9001 for the quality of our services. We believe that quality control is crucial to our business, and we require our employees and the third-party sub-contractors we engage to strictly observe our quality standards. We value and seek to proactively address residents’ feedback. Our headquarters has a toll free service hotline to answer residents’ concerns. Our on-site staff members actively solicit feedback from the residents, and routinely inspect structures and hardware at the residential communities to identify potential issues. We regularly conduct surveys of residents’ satisfaction levels. We also periodically perform quality control reviews on different levels of staff to further improve our service quality.

During our ordinary course of business, from time to time, we receive complaints from our residents. When we receive complaints from residents, we create logs to record such complaints, and each level of our management tracks the progress in addressing the underlying concerns. During the Track Record Period and as of the Latest Practicable Date, we did not receive any complaints that may have a material adverse impact on our operations from the residents. Please see the section entitled “Risk Factors — Risks relating to Our Business and Industry — We may be involved in legal and other disputes and claims from time to time arising out of our operations.”

We have set up a multi-level inspection system, including daily, weekly and monthly inspections. Our on-site manager conducts daily and weekly inspections of service quality in a residential community, while our headquarters conducts monthly inspections.

## **BUSINESS**

To ensure consistent service quality, we also place particular emphasis on information sharing. Every level within our business structure, from our on-site staff to our senior management, may input first-hand data into the same enterprise database. Such information will be made available to our senior management, who can coordinate necessary knowledge and resources to devise prompt and optimized solutions and collaborate with our on-site service teams to address residents' concerns at different residential communities we manage or provide consultancy services to.

### **Quality Control over Third-party Sub-contractors and Procurement**

We perform quality control procedures over third-party sub-contractors pursuant to certain quality standards such as ISO 9001 published by the International Organization for Standardization.

We set up detailed schedules, work flow charts and quality standards for each of the major services, such as cleaning and regular maintenance, that we sub-contrast to third party sub-contractors. For example, with respect to cleaning services, our schedule sets forth specific service performance time, locations to be cleaned and tasks to be performed. Accordingly to our cleaning workflow chart, the contracted worker must show up at the identified location at the designated time, and upload a set of pictures of the work site to our database. The cleaning work must be conducted based upon our quality standard. After the work is done, the worker needs to upload another set of pictures of the work site for quality inspection. In addition, our on-site staff inspect the work site to ensure the quality of the cleaning work performed by the third-party sub-contractors.

We grade our third-party sub-contractors periodically based on a number of factors, such as their work performance, quality, timeliness and the number of complaints we receive. We have the right to reduce our payments to them if the grades are low, and terminate the contracts if the low grades persist.

For raw materials such as the various parts and devices used in our engineering services, our technical department first evaluate their technical suitability to be used in our services. We then perform further due diligence review on the suppliers, including test-runs of their products. Once the suppliers pass our review, they are added to our qualified suppliers list. We only source from suppliers on our qualified suppliers list, and periodically grade our qualified suppliers and adjust such list accordingly.

### **Quality Control over Vendors**

We collaborate with local vendors in the vicinity of residential communities we manage or provide consultancy services to with a view to providing certain community leasing, sales and other services, and we have formulated a quality control system to pre-screen and continuously evaluate the service quality of such local vendors. Our service platform operations department at our headquarters is responsible for implementing our quality control system, maintaining and regularly updating a list of local vendors qualified under our system. We only enter into contracts with qualified local vendors.

## BUSINESS

We pre-screen local vendors around the residential communities we manage in accordance with a set of criteria, such as their qualifications, business performance, after-sales service capabilities, technical capabilities and product quality. After we approve a local vendor, we add it to our qualified local vendors list. We review our qualified local vendors list on an annual basis, and each qualified local vendor is evaluated and graded based on multiple factors, such as pricing, product quality, delivery capabilities, supportiveness towards our service platform, sales records on our service platform and after-sales services. We may remove local vendors from the list if we discover any fraudulent acts or other irregularities during our business dealings.

### HONORS AND AWARDS

We have received honors and awards from various entities in the PRC in recognition of, among other things, our financial strength, development status, customer satisfaction, attention to social responsibilities and overall reputation in the PRC residential property management industry. The table below sets forth our major awards:

Year	Honor / Award	Awarding Entity
2010–2013	China Outstanding Property Management Brand Companies (中國物業服務品牌企業)	China Real Estate Top 100 Research Team (中國房地產TOP 100研究組)
2009–2013	China Top 100 Property Management Companies (中國物業服務百強企業)	China Index Academy (中國指數研究院), China Real Estate Top 10 Research Team (中國房地產TOP 10研究組)
2013	2013 Leading Brands of China Property Management Companies (2013 中國物業服務領先品牌企業)	China Index Academy (中國指數研究院)
2013	Property Management “Top 200 Overall Strength Company” (物業管理綜合實力二百強企業)	China Property Management Institute (中國物業管理協會)
2013	China Top 100 Property Management Companies — Top 10 Growing Companies (中國物業服務百強企業成長性TOP 10)	China Index Academy Specialist Team and China Real Estate Top 10 Research Team (中國指數研究院專家組、中國房地產TOP 10研究組)
2013	China Top 100 Property Management Companies — Leading Characteristic Property Management Enterprises (2013中國特色物業服務領先企業)	China Index Academy (中國指數研究院), China Real Estate Top 10 Research Team (中國房地產TOP 10研究組)
2013	China’s Largest Community Services Operator (中國最大社區服務運營商)	China Index Academy (中國指數研究院)
2011	Property Management Reform Development 30th Anniversary “Top 100 Overall Strength Company” (物業管理改革發展三十周年“綜合實力百強企業”)	China Property Management Institute (中國物業管理協會)
2011	Colour Life Model Property Management Model Company (彩生活模式物業服務標杆企業)	Shenzhen Property Management 30 Years of Model Company Selection Committee (深圳物業管理三十年標杆企業評選委員會)

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Year	Honor / Award	Awarding Entity
2011	2010 Tax On One Hundred Million Yuan Outstanding Buildings Service Third Class Award (2010年納稅億元樓宇優質服務三等獎)	Shenzhen City Futian District Chinese Communist Party Committee and Futian District People's Government (中共福田區委員會與福田區人民政府)
2010	Most Growth-oriented and Social Contribution Award (最具成長型與社會貢獻獎)	Shenzhen Economic Daily and Daily Sunshine (深圳商報與晶報)
2010	China Property Management Institute Executive Director Member (中國物業管理協會常務理事單位)	China Property Management Institute (中國物業管理協會)
2010	10 Years of Reporting Achievements "Golden Banyan Award" (十年報導功勳單位“金榕樹獎”)	Nanfang Media Group and Nanfang City Newspaper (南方報業傳媒集團與南方都市報)
2009	Celebrating the 60th Anniversary of the Founding of the PRC — Shenzhen City Property Management Industry “Highly Responsible and Trusted by Property Owners” Company (慶祝建國六十周年深圳市物管行業社會責任感強、業主信賴企業推介)	Shenzhen Property Management Association and Shenzhen Special Zone Daily (深圳市物業管理協會與深圳特區報)
2008	Shenzhen Property Management Top 10 Brand (深圳物管十大品牌)	Shenzhen Special Zone Daily, Daily Sunshine and Hong Kong Commercial Daily (深圳特區報、晶報及香港商報)
2007	2007 Shenzhen Property Management Top 10 Business Model (2007年深圳物管十大經營模式)	Shenzhen Press Group Circulation Co., Ltd., Sina Corporation and other media (深圳報業集團聯合新浪網等媒體)
2007	2007 China Top 10 Property Management Company with the Most Satisfied Property Owners (2007年度中國十大業主最滿意物業管理企業)	China Real Estate Index System (中國房地產指數系統)

### INSURANCE

We have purchased community service liability insurance for several of the properties we manage. We generally require our third-party sub-contractors to purchase accident insurance for their employees or to be responsible for any injuries suffered by their employees when they discharge their duties at our sites. 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 operating risks and other hazards, which may result in adverse effects on our business. Please see the section entitled “Risk Factors — Risks relating to Our Business and Industry — Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter.”

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### SOCIAL, HEALTH AND SAFETY MATTERS

We are subject to various PRC laws and regulations with respect to labor, health, safety, insurance and accidents, including the Labor Law, the Labor Contract Law, the Implementation Regulations on Labor Contract Law, the Interim Regulations on the Collection and Payment of Social Insurance Premiums, the Regulations on Work Injury Insurance, the Regulations on Unemployment Insurance, the Trial Measures on Employee Maternity Insurance of Enterprises, the Law on Social Insurance, the Regulations on the Administration of Housing Provident Fund and other related laws, regulations, rules and provisions issued by the relevant governmental authorities from time to time.

In compliance with the relevant laws and regulations, we participate in various social welfare schemes for the benefit of our employees. See the section entitled “Directors, Senior Management and Employees — Employees Remuneration.” 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 aiming 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. During the Track Record Period, some of our subsidiaries have not strictly complied with local policies governing contributions to social insurance. In addition, some of our subsidiaries have not opened accounts, made deposits or paid the required amounts with respect to certain housing provident funds for our employees in the PRC pursuant to the Regulations on the Administration of Housing Provident Fund. Please also see section entitled “— Legal Proceedings and Compliance — Non-compliance Record.”

During the Track Record Period and up to the Latest Practicable Date, there had been no reported cases of accidents causing the death of, or material bodily injury to, any of our on-duty employees.

### QUALIFICATIONS AND LICENSES

We hold various qualifications and licenses in respect of our property management services and engineering services. As of the Latest Practicable Date, we had the following qualifications and licenses for property management services and engineering services:

Year of grant	Recipient	Qualifications/ certificates/ licenses	Granting organization or authority	Validity period
<b>Property management services</b>				
2013 . . . . .	Shaanxi Colour Life Property Management	Property Management Qualification Certificate (Level Three)	Xi’an Municipal Bureau of Housing Security and Management	From December 25, 2013 to December 24, 2018
2013 . . . . .	Nanjing Huitao Property Management Service	Property Management Qualification Certificate (Level One)	MOHURD	From September 10, 2013 to July 1, 2015
2013 . . . . .	Nanjing Mingcheng Property Management	Property Management Qualification Certificate (Level One)	MOHURD	From September 10, 2013 to February 6, 2015

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Year of grant	Recipient	Qualifications/ certificates/ licenses	Granting organization or authority	Validity period
2013 . . . . .	Heyuan Colour Life Property Management	Property Management Qualification Certificate (Level Three)	He Yuan City Construction Bureau of Housing and Urban Planning	From January 30, 2013 to January 30, 2015
2013 . . . . .	Shaanxi Liantang Property Service	Property Management Qualification Certificate (Level Three)	Xi'an Municipal Bureau of Housing Security and Management	From August 5, 2013 to August 4, 2014
2013 . . . . .	Shenzhen Huigang Property Management	Property Management Qualification Certificate (Level Three)	Housing and Construction Bureau of Shenzhen Municipality	N/A <sup>(1)</sup>
2013 . . . . .	Shenzhen Colour Life Property Management	Property Management Qualification Certificate (Level One)	MOHURD	N/A <sup>(1)</sup>
2013 . . . . .	Nanjing Jinjiang Property Management	Property Management Qualification Certificate (Level Two)	Department of Housing and Urban-Rural Development of Jiangsu Province	From December 27, 2013 to October 25, 2015
2012 . . . . .	Qinhuangdao Hongtianyuan Property Service	Property Management Qualification Certificate (Level One)	MOHURD	From July 2, 2012 to July 1, 2015
2011 . . . . .	Tieling Zhengnan Property Management	Property Management Qualification Certificate (Level Three)	Tieling Municipal Commission of Housing and Urban-Rural Development	N/A <sup>(1)</sup>
2010 . . . . .	Huizhou Youlin Property Management	Property Management Qualification Certificate (Level Three)	Huizhou Municipal Bureau of Housing Management	N/A <sup>(1)</sup>
2010 . . . . .	Wuxi Taihu Property Management	Property Management Qualification Certificate (Level Two)	Department of Housing and Urban-Rural Development of Jiangsu Province	In the process of renewal
2008 . . . . .	Shanghai Xinzhou Property Management	Property Management Qualification Certificate (Level Two)	Shanghai Municipal Bureau of Housing and Land Resource Management	N/A <sup>(1)</sup>



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Year of grant	Recipient	Qualifications/ certificates/ licenses	Granting organization or authority	Validity period
<b>Engineering services</b>				
2013 . . . . .	Shenzhen Kaiyuan Tongji	Installation, Alteration, Repair and Maintenance License of Special Equipment (Level B)	Administration of Quality and Technology Supervision of Guangdong Province	From March 8, 2013 to March 7, 2017
2013 . . . . .	Shenzhen Kaiyuan Tongji	Design, Installation and Maintenance Certificate for Protection System (Level Two)	Security Protection Office of Guangdong Provincial Public Security Department	From February 6, 2013 to February 6, 2015
2012. . . . .	Shenzhen Kaiyuan Tongji	Safety Production Certificate	Department of Housing and Urban-Rural Development of Guangdong Province	August 20, 2012 to August 20, 2015
2005 . . . . .	Shenzhen Kaiyuan Tongji	Certificate for Undertaking Building Intelligent System Projects (Level Three)	Shenzhen Municipality Construction Bureau	N/A <sup>(2)</sup>
<b>Community leasing, sales and other services</b>				
2013 . . . . .	Shenzhen Caizhiyun Network	ICP License	Guangdong Communications Administration Bureau	July 17, 2013 to July 17, 2018

**Notes:**

- (1) Our PRC legal advisor has advised us that there is no relevant rules or regulations, issued by MOHURD or other governmental authorities, governing the validity terms of the Property Management Qualification Certificate.
- (2) Our PRC legal advisor has advised us that there is no relevant rules or regulations governing the validity terms of this certificate.

## PROPERTIES

As of the Latest Practicable Date, we owned 15 properties in Chengdu, Tianjin and Guangdong Province, with an aggregated floor area of approximately 4,035.0 sq.m., which we held as investment properties to earn rental income or for capital appreciation. The table below sets forth details of our owned properties:

No.	Owned Property	GFA (sq.m.)
1.	Room 06, 5th Floor and Room 09, 7th Floor, Sixiangjia, No. 2 Baiyun Road, Danshui, Huiyang District, Huizhou, Guangdong	104.6
2.	Rooms 202 and 203, 2nd Floor, Huagang Garden, Mingzhu Blvd., Yantian District, Shenzhen <sup>(1)</sup>	128.2

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No.	Owned Property	GFA (sq.m.)
3.	Rooms 1310, 1311, 1313, 1511, 1512, 1515, 48-2505, 48-2605, 48-2705, 48-2805, 48-2905, 48-3005, 48-3105 and 48-3205, Bieyangcheng, Danshuiyaogangxialiuwu, Huiyang District, Huizhou, Guangdong or the intersection between Shenshan Subway and Huinan Street Danshui, Huiyang District, Huizhou, Guangdong	805.6
4.	Room 701, Block 9, Yuanzhouhuayuan, Dayingpu, Liuwu Village, Yuanzhou Town, Boluo County, Guangdong	222.1
5.	Rooms 602, 701, 702 and 801, Yinglunyinxiang, Taiyang Industrial City, Taiyang Ao, Baihua Town, Huidong County, Huizhou, Guangdong	291.7
6.	B023D, 1st Floor, South District, Huigang Ming Yuan, Shenzhen	93.6
7.	Room 305, Block 10, Yipinzhongyang Longyuan, Hongmingxi Rd., Boluo County, Guangdong	70.2
8.	Rooms 211, 302, 304, 307, 411, 2806, 2813 and 2814, Block 1 and Rooms 2808, 2809 and 2810, Block 2, Xinjishouzu, Daya Bay, Huizhou, Guangdong	580.3
9.	Rooms 306 and 2106, Block 2, Futaimingyuan, Tangbeibei Rd., Nancheng District, Dongguan, Guangdong	66.2
10.	32F and 32G, Huagang Garden, Mingzhu Blvd., Yantian District, Shenzhen, Guangdong	73.0
11.	Rooms 2209, 2210, 2211 and 2212, Unit 1, Block 2, Grand Valley, No. 88 Shuncheng Road, Heshan Town, Pujiang County, Chengdu <sup>(2)</sup>	245.7
12.	Room 114, Blocks 2 and 3, Tianjin Hailun Plaza, intersection of Tianjin Wushui Rd. and Jiefangnan Rd., Tianjin	138.8
13.	Rooms 1-2-1308 and 1-2-1309, Tianjin Xiangnian Plaza, Tianjin	296.8
14.	Rooms 202, 203, 303 and 403, Block B7, Phase 2, Yujinghaoting, Yuanzhou Town, Boluo County, Huizhou, Guangdong	553.2
15.	Rooms 8-602, 8-603, 8-703, 8-803 and 8-903, Huajun, Shihuadadao, Daya Bay Economic Development Zone, Huizhou, Guangdong	365.0

We have obtained the building title certificates for all the properties we own, except for properties No. 3, No. 5, No. 7, No. 8, No. 12 through No. 15 above, for which we are in the process of applying for the relevant building title certificates. Our PRC legal advisor has advised us that there are no legal obstacles preventing us from obtaining the relevant building title certificates.

Notes:

- (1) This property was transferred to a third party. We are in the process of changing the relevant building title certificate.
- (2) Rooms 2210 and 2212 of this property were transferred to third parties. We are in the process of changing the relevant building title certificates.

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We also lease nine properties in various locations for use as offices or for other commercial use. The table below sets forth details of our leased properties:

No.	Lessee	Location	GFA (sq.m.)	Lease Expiration Date
1.	Shenzhen Colour Life Community Technology <sup>(1)</sup>	Shenzhen	20	February 28, 2022
2.	Heyuan Huada Property Management	Heyuan, Guangdong	90	October 19, 2016
3.	Shenzhen Xingyanhang Real Estate <sup>(2)</sup>	Shenzhen	10,800	December 31, 2017
4.	Qinhuangdao Hongtianyuan Property Service	Qinhuangdao, Hebei	191	December 20, 2016
5.	Qinhuangdao Hongtianyuan Property Service	Qinhuangdao, Hebei	70	October 17, 2014
6.	Shaanxi Colour Life Property Management	Xi'an, Shaanxi	140	March 2, 2022
7.	Shanghai Xinzhou Yipu	Shanghai	51	August 31, 2020
8.	Nanjing Jinjiang Property Management	Nanjing, Jiangsu	200	June 30, 2019
9.	Shanghai Xinzhou Property Management	Shanghai	240	December 31, 2014

Notes:

(1) The relevant lease was entered into by the legal representative of Shenzhen Colour Life Community Technology.

(2) Our headquarters.

Except for properties No. 1 and No. 3 above, the lessors for the other seven leases have not registered the leases with the relevant PRC authorities. For more information, see the section entitled “— Legal Proceedings and Compliance — Non-compliance Record.”

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, since as of December 31, 2013, each of our properties had a carrying amount of less than 15% of our consolidated total assets.

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### LEGAL PROCEEDINGS AND COMPLIANCE

We have obtained all material approvals, permits, licenses and certificates for our operations from the relevant government authorities, all of which are valid and current. We have been in compliance in all material respects with the applicable PRC laws and regulations, except as disclosed in the section entitled “— Non-compliance Record.” We have not been subject to significant fines or legal action involving non-compliance with any PRC laws or regulations relating to our business.

In September 2012, Shenzhen Buji initiated proceedings in Shenzhen Longgang District People’s Court against Shenzhen Colour Life Property Management, one of our subsidiaries, and its subsidiary in relation to a water supply contract dispute for a total amount of RMB10.9 million, consisting of alleged non-payment of RMB2.6 million and alleged late payment penalties and interests of RMB8.3 million. We withheld payments to Shenzhen Buji, as we believe that a significant portion of such amount is attributable to water leaked and wasted during its delivery to the community. We further believe that the leakage of water is due in turn to the faulty pipelines Shenzhen Buji installed. Moreover, we believe that the amount claimed by Shenzhen Buji cannot be justified, given that it failed to install water meters to individual residential units, and water used by individual residential units should not be borne by us as there were no water supply contracts between Shenzhen Buji and us. The relevant court has, however, made a notice to a bank to freeze a bank deposit of RMB1.0 million in a bank account of Shenzhen Colour Life Property Management to secure the payment of water fee to Shenzhen Buji. As of the Latest Practicable Date, the relevant court had not issued its final judgment, and the litigated sum is yet to be finalized. With reference to the current situation and based on a legal advice obtained by the Group, the Directors consider that no provision is required. See the section entitled “Financial Information — Contingent Liabilities.”

From time to time we may be involved in legal proceedings or disputes in the ordinary course of business, such as contract disputes with our customers and suppliers. Except as disclosed above, as of the Latest Practicable Date, there were no litigation or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our financial position or results of operations.

### Non-compliance Record

Except as disclosed below, we complied with the laws and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date. The table below sets out summaries of certain incidents of historical non-compliance with applicable regulations during the Track Record Period. Our Directors believe that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

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Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status
<p><b>Social insurance and housing fund</b> During the Track Record Period, some of our PRC subsidiaries have not registered for and/or fully contributed to certain social insurance funds and housing funds for their employees, including the ones (i) whose labor costs are borne by us, and (ii) whose labor costs are borne by the communities managed on a commission basis.</p>	<p>(i) Some of our employees did not participate in the social insurance and housing funds as they do not want to bear their portion of social insurance fund and housing fund contributions; and (ii) as for the employees whose labor costs are borne by the communities managed on a commission basis, except for the above reason, it is the responsibility of property owners to pay the salary, social insurance and housing fund contributions according to the related regulations.</p>	<p>Failure to make timely payment of social insurance contributions: Relevant PRC authorities may notify us that we are required to pay the outstanding contributions within a stipulated deadline and (i) in respect of any outstanding social insurance contributions that accumulated prior to July 1, 2011, where payment is not made prior to such deadline, we may be liable to a penalty equal to 0.2% of the outstanding amount calculated daily from the date the relevant insurance funds became payable; and (ii) in respect of any outstanding social insurance contributions that accumulated after July 1, 2011, we may be liable to a penalty equal to 0.05% of the outstanding amount calculated daily from the date the relevant insurance funds became payable and, if we fail to make such payments in arrears, we may be subject to a fine of one to three times the outstanding contribution amount.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay the outstanding social insurance or housing fund contributions, complete the housing fund registrations or open housing fund accounts.</p>
		<p>(i) As for the subsidiaries whose labor costs are borne by us, we have made provisions of RMB1.9 million, RMB1.7 million and RMB2.5 million in our financial statements in respect of such liabilities in 2011, 2012 and 2013, respectively; and (ii) as for the subsidiaries whose labor costs are borne by the communities managed on a commission basis, if there is a dispute related to the social insurance or housing funds, we would pay according to the decisions of court or arbitration, and would claim the related property owners to be liable for all the social insurance and housing funds related to such disputes. We do not have any provision in relation to this non-compliance, as we believe that the relevant property owners' associations are responsible for the relevant contributions.</p>	
		<p>Failure to complete housing fund registration or open a housing fund account: Relevant PRC authorities may notify us that we are required to complete registration and open a housing fund account within a stipulated deadline and, in the case we fail to do so before expiry of such deadline, we may be subject to a fine of between RMB10,000 and RMB50,000.</p>	
		<p>Failure to make timely payment of housing fund contributions: Relevant PRC authorities may notify us that we are required to pay the outstanding contributions within a stipulated deadline and, in the case we fail to do so, we may be subject to an order from the relevant People's Court to make such payment.</p>	

<b>Historical non-compliance</b>	<b>Reasons for non-compliance</b>	<b>Legal consequences and potential maximum and other financial liabilities</b>	<b>Rectification actions taken, provisioning and latest status</b>
<p><b>Lease registration</b> As of the Latest Practicable Date, we leased nine properties in the PRC from different landlords and seven of them were not registered. Out of the seven lease agreements, (i) two of them, pertaining to our leases in Qinhuangdao and Shanghai, had yet to be registered with the relevant government authorities while the relevant landlords were able to provide building title certificates ("Category 1 Lease Agreements"), and (ii) five of them, pertaining to our leases in Heyuan, Nanjing, Qinhuangdao, Shanghai and Xi'an, had yet to be registered with the relevant government authorities and the relevant landlords were unable to provide building title certificates ("Category 2 Lease Agreements"). We currently use them as offices. For more information including their expiration dates, see the section entitled "— Properties."</p>	<p>Registration of lease agreements requires the landlords' cooperation, including submission of their identity documentation and relevant building title certificates to relevant authorities, and therefore the registration is subject to cooperation of landlords which is not within our control.</p>	<p>Our PRC legal advisor has advised us that in accordance with PRC laws, regulations and, where relevant, local rules, if the relevant authorities in Heyuan, Nanjing, Qinhuangdao or Shanghai require us to register the relevant lease agreements and we fail to do within a specified time limit, we may be subject to a fine of between RMB1,000 and RMB10,000 for each such lease agreement. Furthermore, our PRC legal advisor has advised us that in Xi'an fines are imposed only on landlords for failure to register lease agreements. In addition, if any Category 2 Lease Agreement is challenged by a third party or relevant authorities, we may be required to relocate. For more information, see "Risk Factors — Risks relating to Our Business and Industry — Our rights to lease certain properties could be challenged, which could prevent us from continuing to operate the affected facilities."</p>	<p>During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements or received any challenge to our right to lease any property under a Category 2 Lease Agreement. Our PRC legal advisor has advised us that, with respect to properties subject to Category 1 Lease Agreements, the lack of registration of a lease will not affect its legality, validity or enforceability. Regarding the non-registration of our lease agreements, we believe the maximum potential fines are immaterial. As such, we currently do not have any provision in relation to this type of non-compliance, as we deem that our risk exposure is immaterial. As a result of the foregoing, we plan to remain at the properties under the unregistered lease agreements during their normal terms, and upon the expiration of such terms or if we need to relocate from properties subject to Category 2 Lease Agreements, we will strive to relocate to properties owned by landlords who can cooperate to register the relevant lease agreements. We believe that there are alternative properties at comparable rental rates readily available on the market if we need to relocate our unregistered leased properties. The estimated time and cost for relocating our seven unregistered leased properties are approximately one year and approximately RMB3 million. The impact on the profit and loss due to the write-down of the existing leasehold improvements is estimated to be approximately RMB1 million, based on and with reference to the net book value of the leasehold improvement costs for our Shenzhen headquarters, our biggest leased property. Based on the above considerations, the Directors are of the view that these properties are not crucial to our operations and thus our risk exposure is minimal.</p>

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Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status
<p><b>Violation of telecommunication law</b>            From June 1, 2012 to November 30, 2012, Shenzhen Colour Life Network Service continued to operate value-added telecommunication services on the colourlife.com website notwithstanding the validity period of its ICP License had expired.</p> <p>On December 1, 2012, Shenzhen Colour Life Network Service entered into a contract with Shenzhen Caianju Technology Co., Ltd., an independent third party, whereby (i) Shenzhen Caianju Technology Co., Ltd. was the registered owner and operator of the colourlife.com website; (ii) Shenzhen Caianju Technology Co., Ltd. undertook all risk, in connection with and was responsible for all costs arising from the operation of the colourlife.com website; (iii) Shenzhen Colour Life Network Service received from users of the colourlife.com website all of the income generated from the website; and (iv) Shenzhen Colour Life Network Service paid to Shenzhen Caianju Technology Co., Ltd. a set percentage of such total income after deducting commission.</p>	<p>After we were notified that we failed to renew the ICP License, time lapsed before we decided on the most suitable business solution.</p>	<p>The relevant PRC authorities may order a company that engages in value-added telecommunication services without obtaining an ICP License to (i) cease such activity; (ii) surrender any income unlawfully earned from such activity; and (iii) pay a fine of between three to five times the amount of any income unlawfully earned from such activity or, where there was no unlawful income or where unlawful income was less than RMB50,000, pay a fine of between RMB100,000 and RMB1,000,000. In serious cases an order may be made to close down the relevant website.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to cease our telecommunication services, surrender any income or pay any fine.</p> <p>Shenzhen Caizhiyun Network has obtained the ICP License, and we plan to operate the value-added telecommunication service via Shenzhen Caizhiyun Network through the Structured Contracts.</p> <p>In the event that we are ordered to surrender our relevant income and fined for our violation, we believe that our financial exposure may be up to RMB1.9 million. We currently do not have any provision in relation to this non-compliance, as we believe our risk exposure is immaterial.</p>



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Historical non-compliance	Reasons for non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisioning and latest status
<p><b>Penalties imposed against us by relevant commerce and industry authorities</b></p> <p>During the Track Record Period, three of our PRC subsidiaries were subject to a fine of RMB10,000, RMB2,000 and 3,000, respectively, for failure to timely complete procedures for their annual inspections; and one of our PRC subsidiaries breached the relevant food preparation regulations for not having the required permit to operate its employee canteen.</p>	<p>Three of our PRC subsidiaries failed to timely complete their annual inspection procedures as required under the relevant regulations; and one of our PRC subsidiaries breached the relevant food preparation regulations for not having the required permit to operate its employee canteen.</p>	<p>In the case that a company does not complete its annual registration on time in accordance with relevant regulations, it shall be subject (i) to an order from the commerce and industry authorities to complete such registration, and (ii) a fine of between RMB10,000 and RMB100,000. Where registration is still not completed within 60 days after such order is made, the company's business license shall be revoked.</p> <p>A company that engages in business operations that involve the service of food and beverages without first obtaining a permit from the relevant commerce and industry authorities shall be subject to a fine.</p>	<p>As stated in written confirmations issued by the Market Supervision Administration of Shenzhen Municipality and the Shaanxi Administration for Industry &amp; Commerce, our related PRC subsidiaries paid the relevant fines in compliance with such authorities' requirements, and our PRC legal advisor, Commerce &amp; Finance Law Offices, has confirmed that such relevant competent authorities are competent to issue such confirmations. In addition, the relevant subsidiary has obtained the required permit to operate its employee canteen.</p>
<p>During the Track Record Period, the Shenzhen Administration for Industry and Commerce revoked the business licenses of five branch companies of Shenzhen Xingyanhang Real Estate for failure to timely complete procedures for their annual inspections.</p>	<p>Shenzhen Xingyanhang Real Estate has already ceased and has no plans to recommence the operation of each of the relevant branch companies.</p>	<p>The relevant PRC authorities may order a branch company that fails to comply with the annual inspection procedures (i) to complete annual inspection procedures within a specific time frame, and pay a fine of less than RMB30,000, and (ii) to revoke its business license if it fails to complete the annual inspection procedures within the specific time frame.</p>	<p>Based on our understanding, since the revocation of the relevant business licenses, there is no outstanding or potential administrative penalty that may be imposed against any of the branch companies or Shenzhen Xingyanhang Real Estate in respect of the failure to comply with the annual inspection procedure. The cancellation procedures of the five branches are in the process, and we believe that the failure to timely complete the annual inspection procedures for these five branch companies does not constitute material non-compliance. We currently do not have any provision in relation to this non-compliance, as we believe our risk exposure is immaterial.</p>

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<b>Historical non-compliance</b>	<b>Reasons for non-compliance</b>	<b>Legal consequences and potential maximum and other financial liabilities</b>	<b>Rectification actions taken, provisioning and latest status</b>
<p>During the Track Record Period, Shenzhen Colour Life Network Service used its own funds to extend a loan (the “Loan”) to a third-party enterprise in the amount of RMB4.5 million with interest at the rate of 10% per annum. Our PRC legal advisor is of the view that the Loan constituted an “inter-enterprise loan.” See the section entitled “Risk Factors – Risks relating to Our Business and Industry — We may be subject to a penalty from the PBOC or an adverse judicial ruling in respect of an inter-enterprise loan we made to a third party.”</p>	<p>The Loan was made to satisfy the borrower’s temporary cash flow needs. Under the General Rules on Credit, the PBOC bans the arbitrary conduct of inter-enterprise loans.</p>	<p>Under the General Rules on Credit, the PBOC may impose a penalty on lenders equal to between one and five times of inter-enterprise loans the “illegal income” derived from such a loan.</p>	<p>As of the Latest Practicable Date, (i) the full amounts of the principal and interest on the Loan had been repaid in full in accordance with the loan agreement, (ii) we are not aware of any pending or threatened dispute arising out of or in connection with the Loan, and (iii) neither Shenzhen Colour Life Network Service nor, to our knowledge, the borrower has been subject to any notice or order from the PBOC regarding the Loan. We confirm that, other than the Loan, none of the PRC Subsidiaries has been a party to any inter-enterprise loan, whether as borrower or lender. Based on the above, our PRC legal advisor advises us that (i) the possibility that the PBOC imposes a penalty on our lending PRC subsidiary in respect of the Loan is remote, (ii) the possibility that our lending PRC subsidiary would be subject to proceedings in respect of the Loan is remote, and (iii) even in the event that our lending PRC subsidiary is subject to any proceeding, any adverse decision or judgment against the lending PRC subsidiary would not constitute or result in any material adverse effect on our business, results of operations and financial position of us. As a result, we believe that rectification actions are unnecessary, and currently we do not have any provision in relation to this non-compliance.</p>

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### Internal Control

To effectively record and monitor our expenses and payments, we have adopted the following policies:

- (i) we have established internal approval policies regarding the signing of contracts or purchase orders. Authorizations for payments are only granted if the payments can match the underlying contracts, purchase orders, or tax receipts and invoices for goods or services in accordance with our internal approval policies;
- (ii) tax receipts and invoices are kept by designated departments, and we have established a record keeping system and relevant procedures to enhance our collection of tax receipts and invoices. If suppliers are unable to provide tax receipts or invoices, we will make corresponding record entries on our tax invoice register, and our cashier department and finance and business managers are responsible to follow up with the receipt or invoice collection; and
- (iii) our expenses are charged in our accounting records on an accrual basis, and we examine our accounting records and settle our payables and accruals before the annual tax filing.

Furthermore, in order to continuously improve our corporate governance and to prevent recurrence of the non-compliance incidents, we intend to adopt or have adopted the following measures:

- (i) we have engaged a PRC legal advisor to provide legal services to us in relation to future compliance with PRC laws and regulations;
- (ii) we have appointed Altus Capital Limited as our compliance advisor to advise us on certain compliance matters in relation to the Listing Rules;
- (iii) we have established an audit committee on June 11, 2014, and its primary duties include, among others, providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system;
- (iv) we have improved, and are in the process of continuously improving, our internal control framework by adopting a set of internal control manual and policies, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit;
- (v) we have arranged for our Directors and senior management to attend training programs on applicable laws and regulations, including the Listing Rules, provided by our legal advisors prior to Listing. We will continue to arrange various training programs to be provided by the PRC legal advisor engaged by us and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations;
- (vi) we have strengthened training for our employees on compliance matters in order to develop a corporate culture and to enhance employee compliance awareness and responsibility;
- (vii) in September 2013, we designated Mr. Zhou Qinwei, our Executive Director, to oversee and monitor rectifications of our past non-compliance. He is also responsible for assessing and monitoring our ongoing compliance with our internal control policies, recommending additional internal control measures if required, and coordinating

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compliance training for our employees. Mr. Zhou will report the Group's compliance status to the Board semi-annually. Mr. Zhou performed internal control and compliance-related duties at various entities, including (a) at Le Gaga Holdings Ltd., where he acted as the leader of the Sarbanes-Oxley Act compliance project in 2011, (b) at Syngenta (China) Investment Co., Ltd., where he contributed as a member of a team in charge of enhancing and implementing internal control policies on a project-by-project basis and (c) at PricewaterhouseCoopers, where he provided consultancy advice to PRC companies to help improve their internal control processes to comply with PRC accounting rules and performed Sarbanes-Oxley Act compliance audits on clients on a project-by-project basis. For more information, see the section entitled "Directors, Senior Management and Employees – Directors – Executive Directors – Mr. ZHOU Qinwei." Specifically, Mr. Zhou is in charge of overseeing the implementation of the following measures to rectify our non-compliance and to prevent future similar incidents from happening:

- regarding our social insurance and housing fund non-compliance, (i) as for the employees whose labor costs are borne by us, all of our relevant PRC subsidiaries have opened accounts for housing fund contributions and commenced timely payment of contributions in accordance with relevant regulations, and we will require all such employees to participate in the social insurance fund and housing fund contributions; and (ii) since November 2013, we have gradually replaced current staff members whose labor costs are borne by the communities managed on a commission basis with staff from third-party labor dispatch companies, which will be responsible for making contributions to the social insurance and housing funds;
  - regarding our lease registration non-compliance, (i) since June 2013, we have set up a process to evaluate future leases, which includes a checklist containing requirements that must be satisfied, such as document submissions by the landlord necessary for registering the lease, before we enter into any future material lease agreement; (ii) our designated staff members will check the registration status of newly executed lease agreements on a monthly basis and follow up with the relevant parties if a lease agreement has not been timely registered; and (iii) if necessary, we will consult with our PRC legal advisor for legal advice;
  - regarding our telecommunications law non-compliance, Shenzhen Caizhiyun Network received its ICP License on July 17, 2013 and we have entered into the Structured Contracts to manage and control the operations of Shenzhen Caizhiyun Network; and
  - regarding our past non-compliance with annual inspection procedures and food preparation regulations, since December 2012 we have designated certain employees with knowledge of the relevant laws and regulations who, together with our compliance department, are responsible for ensuring the timely completion of our annual inspection procedures and our overall legal compliance; and
- (viii) In September 2013, we established a compliance department headed by Mr. Zhou Qinwei. Mr. Zhou is directly supported by a supervisor with approximately five years of auditing experience at an internationally reputable accounting firm, and an assistant with a degree in law and prior legal practice experience.

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Based on (i) the facts and circumstances leading to our non-compliance incidents as described in “– Non-compliance Record,” (ii) the rectification measures taken to address such incidents and (iii) the foregoing internal control measures, our Directors are of the view, and the Joint Sponsors, after reviewing the above internal control measures, are satisfied, that (a) the above measures will effectively ensure a proper internal control system to prevent future similar non-compliance with the PRC laws and regulations, and (b) our non-compliance incidents do not have any material impacts on the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability of our Company under Rule 8.04 of the Listing Rules.

We have engaged an independent internal control consultant to review the design and implementation of the internal control system of our Group. As of the Latest Practicable Date, we had implemented all the internal control measures recommended by our internal control consultant after its review, and our internal control consultant has reported to us that our internal control system implemented in place has no deficiency which is material to the Group’s operation. As such, the Directors are of the view that our internal control measures are adequate and effective, and nothing has caused the Joint Sponsors to believe that the aforesaid measures are not adequate and effective.