*You should read the following discussion and analysis in conjunction with our audited financial information together with the accompanying notes, set forth in the Accountants' Report included as Appendix I to this prospectus. Our audited financial information is prepared in conformity with HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. You should read the whole of the Accountants' Report included as Appendix I to this prospectus and not rely merely on the information contained in this section.*

*The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in the sections entitled "Risk Factors" and "Business" and elsewhere in this prospectus.*

*Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

## 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.

We strive to realize the synergies among our different segments. Under our property management services segment, we focus on implementing our standardization, centralization and automation strategy to establish centralized management and improve cost efficiency of our overall business operations. Under our engineering services segment, we focus on developing business relationship with property developers which do not provide property management services and thereby may engage us to provide property management services to their new property developments. We believe such strategy will be beneficial to the development of our property management services segment, which will in turn expand the customer base for our engineering services and community leasing, sales and other services and increase the number of residential communities for our repair and maintenance services.

We plan to further increase the total GFA and the number of residential units we manage in the existing and new markets, and further strengthen existing relationships and develop new relationships with the customers of our engineering services business. We will continue developing our offline and online service platform connecting residents and property owners with local vendors for community leasing, sales and other services. In response to the rising labor costs, we plan to further develop our community leasing, sales and other services business which had higher gross profit margins than our existing property management services business and engineering services business, which we believe will better enable us to diversify our revenue bases and strengthen our profitability.

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.

The following table sets forth the breakdown of our revenue generated from the three 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 |
| **Total Revenue** | **146,503** | **100.0** | **196,507** | **100.0** | **233,069** | **100.0** |

## BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands with limited liability on March 16, 2011. In preparation for the Global Offering, we underwent the Reorganization, as detailed in the section entitled "History, Reorganization and the Group Structure." Following the Reorganization, our Company became the holding company of all the companies now comprising our Group. Our financial information has been prepared on the basis as if our Company had always been the holding company of the Group using the principles of merger accounting.

For more information on the basis of preparation of our financial information included herein, please see the Accountants' Report in Appendix I to this prospectus.

## DISCONTINUED OPERATIONS AND THEIR PRESENTATION IN THE CONSOLIDATED FINANCIAL STATEMENTS

During the Track Record Period, we terminated certain business operations through our disposal of the relevant subsidiaries in connection with our Reorganization, which were accounted for as our discontinued operations under our consolidated statements of profit or loss and other comprehensive income. Such discontinued operations consisted of discontinued other property operation and discontinued hotel operation. See note 37 in the Accountants' Report in Appendix I to this prospectus.

### Discontinued Other Property Operation

We terminated our discontinued other property operation through the disposal of certain subsidiaries of Yahao Technology in 2010 and 2011. During the Track Record Period, Yahao Technology was an entity of our Group until our disposal of its parent company, Ace Link on April 30, 2013. Yahao Technology and its subsidiaries' financial information was consolidated into our consolidated financial statements during the Track Record Period.

Prior to the Reorganization that commenced in 2010, Yahao Technology held 70% of the equity interest of Shenzhen Colour Life, our principal subsidiary engaged in property management services business. In addition, Yahao Technology operated (i) property consultancy business through Shenzhen Siyuan Consultancy, (ii) property investment business through Hong Kong Kangnian Trading (which was a subsidiary of Shenzhen Hongwei Decoration), (iii) property development business through Shenzhen Huiheng Real Estate (which Shenzhen Hongwei Decoration owned 60% equity interest in) and Hong Kong Kangnian Trading (which was a subsidiary of Shenzhen Hongwei Decoration) and (iv) property construction business through Ningxia Hui Construction.

In August 2010, Yahao Technology disposed of all equity interest that it held in Shenzhen Siyuan Consultancy. In March 2011, Yahao Technology disposed of all equity interest that it held in Shenzhen Hongwei Decoration and Ningxia Hui Construction. For details regarding the disposal of our discontinued other property operation, please see the section entitled "History, Reorganization and the Group Structure."

As a result, other property operation conducted through these disposed subsidiaries became our discontinued other property operation, which was part of our discontinued operations.

### Discontinued Hotel Operation

During the Track Record Period, we operated hotel operations through Shenzhen Caiyue Hotel Management, our subsidiary. With our disposal of Shenzhen Caiyue Hotel Management in March 2013, we terminated our hotel management operations, which thereby became part of our discontinued operations. For details regarding the disposal of our discontinued hotel operation, please see the section entitled "History, Reorganization and the Group Structure."

### Presentation of Discontinued Operations in the Consolidated Financial Statements

Results of discontinued operations were accounted for as a separate line item as "profit (loss) for the year from discontinued operations" in the consolidated statements of profit or loss and other comprehensive income.

Assets and liabilities of continuing and discontinued operations are presented in the consolidated statements of financial position on a consolidated basis, unless the discontinued operations met the criteria as a disposal group in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operation," of which the assets and the liabilities of the disposal group held for sale are presented separate from other assets and liabilities on the consolidated statements of financial position.

Cash flow of continuing and discontinued operations are presented in the consolidated statements of cash flows on a consolidated basis.

The table below sets forth our major line items of assets and liabilities by continuing operations and discontinued operations as of the dates indicated.

**As of December 31, 2011**

| | Continuing Operation | Discontinued Operations | Consolidated total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **Non-current Assets** | | | |
| Property, plant and equipment | 6,292 | — | 6,292 |
| Investment properties | 11,114 | — | 11,114 |
| Interest in an associate | 953 | — | 953 |
| Interest in a joint venture | 285 | — | 285 |
| Goodwill | 4,558 | — | 4,558 |
| Deposits paid for acquisition of subsidiaries | 4,484 | — | 4,484 |
| Trade receivables | 7,092 | — | 7,092 |
| Other receivables and prepayments | 8,832 | — | 8,832 |
| Deferred tax assets | 1,875 | — | 1,875 |
| **Total Non-current Assets** | **45,485** | **—** | **45,485** |
| **Current Assets** | | | |
| Trade receivables | 10,033 | 394 | 10,427 |
| Other receivables and prepayments | 19,604 | 332 | 19,936 |
| Payments on behalf of residents | 19,702 | — | 19,702 |
| Amounts due from customers for contract works | 38,510 | — | 38,510 |
| Amounts due from fellow subsidiaries | 302,146 | — | 302,146 |
| Amount due from an associate | 26 | — | 26 |
| Bank balances and cash | 29,238 | 1,419 | 30,657 |
| **Total Current Assets** | **419,259** | **2,145** | **421,404** |
| **Total Assets** | **464,744** | **2,145** | **466,889** |
| **Current Liabilities** | | | |
| Trade payables | 15,530 | 506 | 16,036 |
| Other payables and accruals | 33,010 | 1,402 | 34,412 |
| Receipts on behalf of residents | 30,607 | — | 30,607 |
| Amounts due to customers for contract works | 2,002 | — | 2,002 |
| Amounts due to fellow subsidiaries | 249,641 | — | 249,641 |
| Amount due to immediate holding company | 3,091 | — | 3,091 |
| Amounts due to non-controlling shareholders | 828 | — | 828 |
| Amount due to a joint venture | 169 | — | 169 |
| Borrowings due within one year | 40,000 | — | 40,000 |
| Tax liabilities | 23,617 | 2,217 | 25,834 |
| **Total Current Liabilities** | **398,495** | **4,125** | **402,620** |
| **Non-current Liabilities** | | | |
| Deferred tax liabilities | 556 | — | 556 |
| **Total Non-current Liabilities** | **556** | **—** | **556** |
| **Total Liabilities** | **399,051** | **4,125** | **403,176** |

**As of December 31, 2012**

| | Continuing Operation | Discontinued Operations | Consolidated total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **Non-current Assets** | | | |
| Property, plant and equipment | 10,357 | — | 10,357 |
| Investment properties | 12,620 | — | 12,620 |
| Interest in an associate | 932 | — | 932 |
| Interest in a joint venture | 303 | — | 303 |
| Goodwill | 14,114 | — | 14,114 |
| Deposits paid for acquisition of subsidiaries | 8,678 | — | 8,678 |
| Trade receivables | 9,416 | — | 9,416 |
| Other receivables and prepayments | 8,110 | — | 8,110 |
| Deferred tax assets | 2,001 | — | 2,001 |
| **Total Non-current Assets** | **66,531** | **—** | **66,531** |
| **Current Assets** | | | |
| Inventories | 1,274 | — | 1,274 |
| Trade receivables | 21,575 | — | 21,575 |
| Other receivables and prepayments | 28,772 | — | 28,772 |
| Payments on behalf of residents | 46,089 | — | 46,089 |
| Amounts due from customers for contract works | 45,749 | — | 45,749 |
| Amounts due from fellow subsidiaries | 330,850 | — | 330,850 |
| Amounts due from non-controlling shareholders | 675 | — | 675 |
| Amount due from a related party | 46,250 | — | 46,250 |
| Financial assets classified as FVTPL | 42,200 | — | 42,200 |
| Restricted bank deposits | 997 | — | 997 |
| Bank balances and cash | 24,980 | — | 24,980 |
| **Total Current Assets** | **589,411** | **—** | **589,411** |
| **Total Assets** | **655,942** | **—** | **655,942** |
| **Current Liabilities** | | | |
| Trade payables | 21,444 | — | 21,444 |
| Other payables and accruals | 49,290 | — | 49,290 |
| Receipts on behalf of residents | 77,700 | — | 77,700 |
| Amounts due to customers for contract works | 616 | — | 616 |
| Amounts due to fellow subsidiaries | 356,778 | — | 356,778 |
| Amount due to immediate holding company | 3,283 | — | 3,283 |
| Amounts due to non-controlling shareholders | 624 | — | 624 |
| Amount due to an associate | 2,126 | — | 2,126 |
| Amount due to a joint venture | 94 | — | 94 |
| Tax liabilities | 31,607 | — | 31,607 |
| | 543,562 | — | 543,562 |
| Liability associated with disposal group classified as held for sale | — | 2,509 | 2,509 |
| **Total Current Liabilities** | **543,562** | **2,509** | **546,071** |

| | Continuing Operation | Discontinued Operations | Consolidated total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **Non-current Liabilities** | | | |
| Deferred tax liabilities | 338 | — | 338 |
| Amount due to a non-controlling shareholder | 1,348 | — | 1,348 |
| **Total Non-current Liabilities** | **1,686** | **—** | **1,686** |
| **Total Liabilities** | **545,248** | **2,509** | **547,757** |

**As of December 31, 2013**

| | Continuing Operation | Discontinued Operations | Consolidated total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **Non-current Assets** | | | |
| Property, plant and equipment | 23,513 | — | 23,513 |
| Intangible assets | 624 | — | 624 |
| Investment properties | 26,758 | — | 26,758 |
| Interest in an associate | 1,107 | — | 1,107 |
| Interest in a joint venture | 568 | — | 568 |
| Goodwill | 50,537 | — | 50,537 |
| Trade receivables | 7,585 | — | 7,585 |
| Other receivables and prepayments | 5,334 | — | 5,334 |
| Deferred tax assets | 3,848 | — | 3,848 |
| **Total Non-current Assets** | **119,874** | **—** | **119,874** |
| **Current Assets** | | | |
| Inventories | 200 | — | 200 |
| Trade receivables | 49,566 | — | 49,566 |
| Other receivables and prepayments | 43,339 | — | 43,339 |
| Payments on behalf of residents | 43,966 | — | 43,966 |
| Amounts due from customers for contract works | 43,892 | — | 43,892 |
| Amount due from immediate holding company | 1 | — | 1 |
| Amounts due from fellow subsidiaries | 32,153 | — | 32,153 |
| Amounts due from non-controlling shareholders | 13,063 | — | 13,063 |
| Amount due from a related party | 1,303 | — | 1,303 |
| Restricted bank deposits | 997 | — | 997 |
| Bank balances and cash | 146,113 | — | 146,113 |
| **Total Current Assets** | **374,593** | **—** | **374,593** |
| **Total Assets** | **494,467** | **—** | **494,467** |

| | Continuing Operation | Discontinued Operations | Consolidated total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **Current Liabilities** | | | |
| Trade payables | 20,851 | — | 20,851 |
| Other payables and accruals | 93,387 | — | 93,387 |
| Receipts on behalf of residents | 96,804 | — | 96,804 |
| Amounts due to customers for contract works | 2,784 | — | 2,784 |
| Amounts due to fellow subsidiaries | 36,719 | — | 36,719 |
| Amount due to immediate holding company | 1,428 | — | 1,428 |
| Amounts due to non-controlling shareholders | 1,809 | — | 1,809 |
| Amount due to an associate | 2,387 | — | 2,387 |
| Amount due to a joint venture | 94 | — | 94 |
| Borrowings due within one year | 162 | — | 162 |
| Tax liabilities | 45,910 | — | 45,910 |
| **Total Current Liabilities** | **302,335** | **—** | **302,335** |
| **Non-current Liabilities** | | | |
| Deferred tax liabilities | 509 | — | 509 |
| Amount due to a non-controlling shareholder | 1,091 | — | 1,091 |
| Borrowings due after one year | 215 | — | 215 |
| Redeemable shares | 6,614 | — | 6,614 |
| **Total Non-current Liabilities** | **8,429** | **—** | **8,429** |
| **Total Liabilities** | **310,764** | **—** | **310,764** |

## KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by a number of factors, many of which may be beyond our control, including those factors set out in the section entitled "Risk Factors" and those set out below.

### Business Mix

Our business and results of operations are affected by our business mix. Our profit margins vary across different business segments as well as different products and services within each business segment.

During the Track Record Period, the revenue contribution by business segment are set forth in the table below:

| | 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 |
| **Total Revenue** | **146,503** | **100.0** | **196,507** | **100.0** | **233,069** | **100.0** |

Any change in the structure of revenue contribution from business segments or change in profit margin of any segment may have a corresponding impact on our overall profit margin.

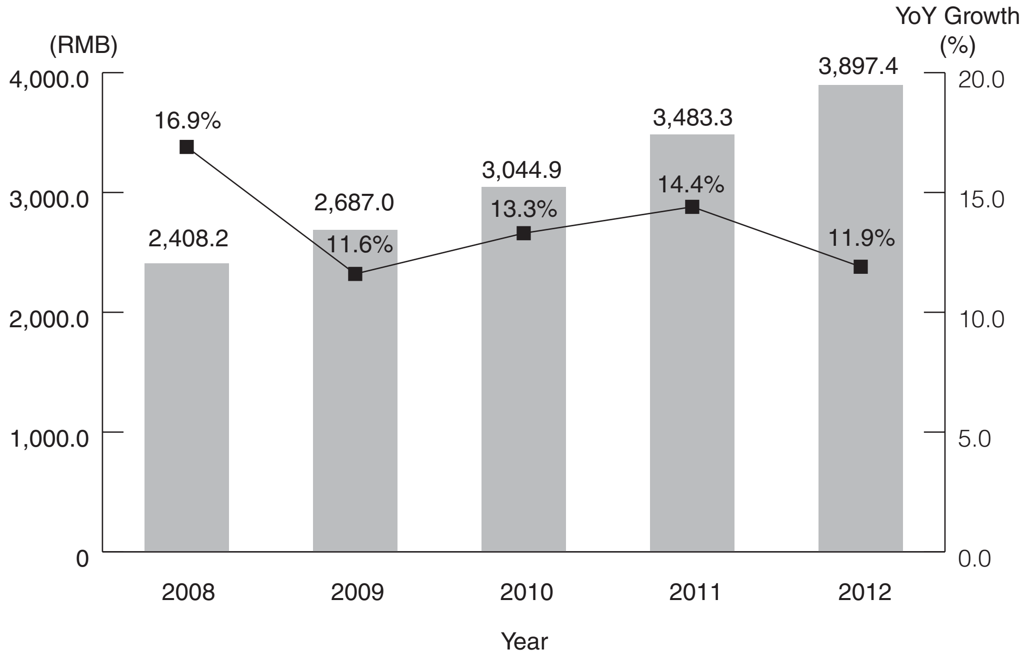
Under each business segment, different product lines have different profit margins. For example, in 2011, 2012 and 2013, within our property management services segment, revenue generated from property management services under commission basis constituted 38.1%, 33.3% and 47.1%, respectively, revenue generated from property management services under lump sum basis constituted 44.5%, 37.2% and 25.4%, respectively, and revenue generated from pre-sale services constituted 17.4%, 29.5% and 27.1%, respectively. Revenue generated from our consultancy services constituted 0.4%, of the total revenue of the property management services segment in 2013. Please see the section entitled "— Description of Selected Statements of Profit or Loss Line Items — Revenue." In 2011, 2012 and 2013, the gross profit margin for property management services under commission basis was 100%, 100% and 98.2%, respectively, while 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, and the gross profit margin for consultancy services in 2013 was 100%. Please see the section entitled "— Description of Selected Statements of Profit or Loss Line Items — Gross Profit and Gross Profit Margin." Any change in the product mix under each segment may result in a corresponding impact on our overall profit margin.

**Ability to Mitigate the Impact of Rising Labor Cost**

Labor costs (including staff costs of our employees and sub-contracting costs) comprise a large portion of our cost of sales and services. During the Track Record Period, our labor costs increased substantially as a result of the expansion of our business as well as increases in minimum wages and the market price for labor. In 2011, 2012 and 2013, the staff costs of our employees amounted to RMB44.4 million, RMB62.5 million and RMB71.5 million, respectively. In 2011, 2012 and 2013, our sub-contracting cost amounted to RMB26.8 million, RMB37.8 million and RMB29.5 million, respectively. Significant increases in our labor costs may negatively affect our profit margin and reduce our profitability. As such, we focus on implementing our standardization, centralization and automation strategy to reduce our dependency on manual labor and to mitigate the impact of rising labor costs. In response to rising labor costs, we also plan to further develop our community leasing, sales and other services business which had higher gross profit margins than our property management services business and engineering services business.

The table below sets forth the average monthly salary in China and the year to year growth for the periods indicated.

**Average Monthly Salary in China (2008–2012)**




*Source: 2013 China Statistical Yearbook for 2008–2012 Data; 2013 data had not been published as of the Latest Practicable Date*

**Our Contracted GFA and Revenue-bearing GFA**

During the Track Record Period, we generated the majority of our revenue from our property management services. Our business and results of operations depend on our ability to maintain and grow our contracted GFA, which in turn is affected by our ability to obtain new service contracts through organic growth or to acquire existing property management companies. The table below sets forth our total contracted GFA as of the dates indicated:

| | As of December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | 2012 | | 2013 | |
| | Managed by us ('000 sq.m.) | Under our consultancy service arrangements ('000 sq.m.) | Managed by us ('000 sq.m.) | Under our consultancy service arrangements ('000 sq.m.) | Managed by us ('000 sq.m.) | Under our consultancy service arrangements ('000 sq.m.) |
| Total contracted GFA . . . . . . . . . | 18,339 | 713 | 32,986 | 1,733 | 63,982 | 28,290 |

A portion of our total contracted GFA does not generate management services fees because the relevant property has not been delivered. Therefore, our financial position and results of operations are also affected by the number of revenue-bearing GFA. The table below sets forth our revenue-bearing GFA as of the dates indicated:

| | As of December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | 2012 | | 2013 | |
| | Managed by us ('000 sq.m.) | Under our consultancy service arrangements ('000 sq.m.) | Managed by us ('000 sq.m.) | Under our consultancy service arrangements ('000 sq.m.) | Managed by us ('000 sq.m.) | Under our consultancy service arrangements ('000 sq.m.) |
| Total revenue-bearing GFA[1] . . . | 16,344 | 712 | 23,116 | 1,733 | 53,259 | 7,314 |

Note:

(1) 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.

### Availability of New Property Developments

Our business and results of operations are affected by our ability to obtain new service engagements from property developers for their new property developments. The number of new property developments is heavily dependent on the performance of the real estate market in China, which is subject to the general economic conditions in China, the rate of urbanization and the resultant demand for properties in the PRC, and PRC governmental policies and measures.

Developments in the economy and the rate of urbanization have in the past increased the supply of and demand for residential properties, and we believe that these factors will continue to significantly affect the PRC real estate industry and the property management industry. Any economic downturn in the PRC, particularly in the regions where we operate, could adversely affect our business, results of operations and financial position. Please refer to the section entitled "Risk Factors — Risks relating to Our Business and Industry — Our business is significantly influenced by various factors affecting our industry and general economic conditions."

The regulatory environment in the PRC and policies and measures taken by the PRC government have also affected the development of the real estate market, which in turn affects our business and results of operations. The PRC government has implemented a series of measures with a view to controlling the growth of the economy in recent years. In particular, the PRC government has continued to introduce various restrictive measures to discourage speculation in the real estate market. From time to time, the PRC government also adjusts or introduces macroeconomic control policies to encourage or restrict property development in the private property sector through regulating, among others, land grants, pre-sale of properties, bank financing and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on the performance of the real estate market in the PRC. Please refer to the section entitled "Risk Factors — Risks relating to Conducting Business in the PRC."

### Our Ability to Acquire Existing Suitable Property Management Companies

During the Track Record Period, we achieved our business growth partly through acquisitions of a number of property management companies from third parties, which has enabled us to expand our business scale and improve our financial results. In 2011, 2012 and 2013, the total contracted GFA obtained through acquisitions was approximately 0.1 million sq.m., 1.5 million sq.m. and 12.0 million sq.m., respectively. An increase in our contracted GFA leads to increased revenue from property management services, engineering services and community leasing, sales and other services. We expect our future business expansion to rely upon our ability to identify and acquire suitable property management companies, which will be affected by various factors, including, but not limited to:

- availability of qualified acquisition targets in the market. We assess an acquisition target based on a number of factors, such as (i) general operational conditions, (ii) whether the target company may be integrated into our existing business operations, (iii) acquisition deal structure and investment amount and (iv) financial positions (profit forecast, operational cost forecast, and internal rate of return); and
- financing capability and sufficiency of cash flow. In 2011, 2012 and 2013, we mainly financed our acquisitions with our internal resources. Our ability to pursue future acquisitions depends on our ability to generate sufficient cash flow from operations or to obtain adequate financing at reasonable cost.

Our results of operations are also affected by our ability to integrate new property management businesses into our existing business, which enables us to achieve economies of scale.

### Competition

Our industry is highly competitive and fragmented, and we compete with other property management services providers based on a number of factors, including primarily scale, brand recognition, financial resources, price and service quality. There were approximately 20 property management companies managing GFA of over 20 million sq.m., which generally provide property management services to residential and commercial properties according to China Index Academy. Our engineering services compete with other property management companies as well as engineering companies providing similar services. Regarding our community leasing, sales and other services, we compete with different types of vendors directly offering the same products or services to our residents and property owners via our platform. Please also see the sections entitled “Business — Competition” and “Industry Overview — Property Management Industry in the PRC — Competition.” Our ability to effectively compete with our competitors and maintain or improve our market position depends on our ability to maintain our competitive strengths. If we fail to maintain our competitive strengths, we may lose market position in our principal business segments and our revenue may decrease.

## CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of our operating results and financial position are based on our audited consolidated financial statements, which have been prepared in accordance with HKFRS. Our operating results and financial position are sensitive to accounting methods, assumptions and estimates. The assumptions and estimates are based on our industry experience and various factors including our management’s expectations of future events which they believe to be reasonable. Actual results may differ from these estimates and assumptions.

The selection of critical accounting policies, the estimates and judgments and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial statements. Our significant accounting policies are summarized in note 4 in the Accountants' Report in Appendix I to this prospectus. We believe that the following critical accounting policies involve the most significant estimates and judgments used in the preparation of the consolidated financial statements.

**Critical Accounting Policies**

***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- we have transferred to the buyer the significant risks and rewards of ownership of the goods;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Property management fee, repair and maintenance service fee, community leasing, sales and other services fee and property agency fee*

Property management fee (including fees generated from property management services provided on a commission basis and a lump sum basis and pre-sale services), repair and maintenance service fee, community leasing, sales and other services fee and property agency fee are recognized when services are rendered.

*Installation contract revenue*

Our policy for recognition of revenue from installation contract is described below. See the section entitled "— Installation contracts."

***Property, plant and equipment***

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method over the following period:

| | |
|---|---|
| Leasehold improvement | Three to 10 years |
| Furniture, fixtures and equipment | Five years |
| Motor vehicles | Five to 10 years |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

***Installation contracts***

Where the outcome of the installation contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract works.

Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advance received included in other payables.

Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

***Non-current assets held for sale***

Non-current assets and disposal groups are classified as held for sale if the carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (and disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When we are committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of our subsidiary are classified as held for sale when the criteria described above are met, regardless of whether we will retain a non-controlling interest in our former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of our previous carrying amount and fair value less costs to sell.

***Goodwill***

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequent whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in a subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

***Taxation***

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit during the year. Taxable profit differs from profit before tax as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e., based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognized in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Our acquired intangible assets consisted of the property management contracts which our acquired subsidiaries were parties to, which were valued by an internationally recognized property valuation firm through the application of an income approach. This approach estimates the future direct economic benefits and costs attributed to the property management contracts. The economic benefits and related costs are in turn projected over the remaining useful lives, which are the remaining contractual terms of the property management contracts before their expiration dates, and are deemed zero if the property management contracts do not specify expiration dates or have expired before the valuation date but we choose to continue to provide property management services to the communities.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. See the section entitled "— Impairment of Tangible and Intangible Assets Other than Goodwill."

***Impairment of tangible and intangible assets other than goodwill***

At the end of the reporting period, we review the carrying amounts of our tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

**Critical Accounting Judgments and Estimates**

In the application of our accounting policies, which are described in note 4 in the Accountants' Report in Appendix I to this prospectus, our management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are set forth below.

***Estimated collection rate of property management fee***

Our revenue from property management services in relation to communities managed on a lump sum basis are recognized based on estimated collection rate of property management fee in each such community managed by us. Significant management estimation is required to determine the collection rate of property management fees that can be collected in each such community, based upon the payment rates of property management fees in each such community managed by us.

***Estimated impairment of payments on behalf of residents***

We have receivables arisen from the payments on behalf of residents from communities managed on a commission basis in our property management services business. Since the management offices of these communities have no separate bank accounts, all transactions related to these management offices are settled through our treasury function. The net amount paid on behalf of a community in performing our property management services (after related adjustments such as recharge of expenses from our headquarters) in excess of the management fees received from the residents of such community (after deducting our commission and after making related adjustments such as recording the community's rental income arising from leasing out its common areas) are treated as our receivables. Significant management estimation is required to determine whether the management offices have the ability to settle these receivables due to us.

To determine whether there is any objective evidence of impairment loss, we take into consideration a number of indicators, including, among others, (i) subsequent settlement status of payments on behalf of residents, (ii) historical write-off experience of payments on behalf of residents, (iii) the financial performance of the underlying communities (such as profitability trend, cash receipts from residents by the respective management offices during each reporting period, and cash payments to settle management offices' account payables), and (iv) future cash flows from the communities.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2011, 2012 and 2013, the carrying amounts of our payments on behalf of residents under commission basis were RMB19.7 million, RMB46.1 million and RMB44.0 million, respectively.

***Estimated impairment of trade receivables***

When there is an objective evidence of impairment loss, we take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2011, 2012 and 2013, the carrying amounts of our trade receivables were RMB17.5 million, RMB31.0 million and RMB57.2 million, respectively, net of allowance for bad and doubtful debt of nil, nil and RMB1.0 million, respectively.

***Fair value of completed investment properties***

Our completed investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on method of valuation which take into account the market evidence of transaction prices for similar properties in the same location and conditions. In relying on the valuation report, our management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions. Should there be changes in assumptions due to market conditions, the fair value of the investment properties will change. As of December 31, 2011, 2012 and 2013, the carrying amounts of investment properties were RMB11.1 million, RMB12.6 million and RMB26.8 million, respectively.

***Revenue recognition of installation contracts***

For an installation contract, revenue and costs are recognized by reference to estimation of the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Construction costs which mainly comprise installation costs and costs of materials are estimated by tour management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. Because of the nature of the construction industry, our management regularly reviews the progress of the contracts and the estimated construction revenue and construction costs. Change in this estimation may have a material impact on our results of operations. In 2011, 2012 and 2013, we have recognized installation contracts revenue amounting to RMB34.1 million, RMB47.7 million and RMB34.2 million, respectively.

***Estimated recoverability of amount due from customers for contract works***

When there is objective evidence of impairment loss in relation to amounts due from customers for contract works arisen from the installation services under engineering segment, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2011, 2012 and 2013, the amounts due from customers for contract works amounted to RMB38.5 million, RMB45.7 million and RMB43.9 million, respectively.

***Estimated impairment of goodwill***

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of the value in use and fair value less cost to sell of the cash-generating units to which goodwill has been allocated. The value in use calculation requires us to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by our management and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved budgets, including the growth rates, discount rates and cash inflows/outflows including revenue, gross profit, operating expenses estimated based on past performance and market development expectations. Where the actual future cash flows are less than expected or there is a downward revision of expected future cash inflows due to unfavorable change in facts and circumstances, a material impairment loss may arise. We recognized an impairment loss of approximately RMB870,000 in 2011, attributable to Shenzhen Robert Housekeeper. For more information, please see the section entitled "— Description of Selected Statements of Profit or Loss Line Items — Impairment Loss Recognized on Goodwill." As of December 31, 2011, 2012 and 2013, the carrying amounts of goodwill net of accumulated impairment loss were RMB4.6 million, RMB14.1 million and RMB50.5 million, respectively.

***Useful lives of property, plant and equipment***

We estimate useful lives and related depreciation charges for our items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and function and also by reference to the relevant industrial norm. If the actual useful lives of intangible assets are less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. The carrying amounts of property, plant and equipment as of December 31, 2011, 2012 and 2013 were RMB6.3 million, RMB10.4 million and RMB23.5 million, respectively.

***Estimation on income tax***

The ultimate tax determination in relation to the sub-contracting costs incurred in the engineering services segment with no tax invoices is uncertain and judgment is required in determining the provision for income taxes. Where the final tax outcome and actual tax payment of these matters are different from the amounts that were initially recorded, such differences will impact the income tax in the year in which such determination is made.

## SUMMARY OF FINANCIAL INFORMATION

### Consolidated Statements of Profit or Loss and Other Comprehensive Income

| | Year ended December 31, | | |
|---|---|---|---|
| | **2011** | **2012** | **2013** |
| | **RMB'000** | **RMB'000** | **RMB'000** |
| **Continuing operations** | | | |
| **Revenue** | **146,503** | **196,507** | **233,069** |
| Cost of sales and services | (77,319) | (102,342) | (89,422) |
| **Gross profit** | **69,184** | **94,165** | **143,647** |
| Other gains and losses | (4,152) | (2,312) | (10,122) |
| Other income | 475 | 1,586 | 4,289 |
| Selling and distribution expenses | (6,922) | (5,809) | (1,915) |

| | Year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Administrative expenses | (29,854) | (45,037) | (60,276) |
| Expenses recharged to residential communities under commission basis | 9,947 | 18,460 | 17,348 |
| Finance costs | (1,092) | (582) | (630) |
| Listing expenses | — | — | (22,854) |
| Changes in fair value of investment properties | 1,087 | (86) | 230 |
| Impairment loss recognized on goodwill | (870) | — | — |
| Share of results of an associate | 360 | 303 | 175 |
| Share of results of a joint venture | 218 | 173 | 265 |
| Gain on disposal of subsidiaries | — | — | 778 |
| **Profit before tax** | **38,381** | **60,861** | **70,935** |
| Income tax expense | (14,929) | (15,996) | (25,467) |
| **Profit for the year** | **23,452** | **44,865** | **45,468** |
| **Discontinued operations** | | | |
| Profit (loss) for the year from discontinued operations | (36,456) | (529) | — |
| **Profit (loss) and total comprehensive income (expense) for the year** | **(13,004)** | **44,336** | **45,468** |
| **Profit (loss) and total comprehensive income (expense) for the year attributable to:** | | | |
| **Owners of the Company** | | | |
| — from continuing operations | 19,712 | 43,961 | 44,368 |
| — from discontinued operations | (13,060) | (529) | — |
| | **6,652** | **43,432** | **44,368** |
| **Non-controlling interests** | | | |
| — from continuing operations | 3,740 | 904 | 1,100 |
| — from discontinued operations | (23,396) | — | — |
| | **(19,656)** | **904** | **1,100** |
| | **(13,004)** | **44,336** | **45,468** |
| **Earnings per share — Basic** | | | |
| From continuing and discontinued operations (RMB cents) | 0.92 | 6.03 | 6.04 |
| From continuing operations (RMB cents) | 2.74 | 6.11 | 6.04 |
| **Earnings per share — Diluted**[1] | | | |
| For continuing and discontinued operations (RMB cents) | 0.92 | 6.03 | 6.04 |
| For continuing operations (RMB cents) | 2.74 | 6.11 | 6.04 |

Note:

(1) The computation of diluted earnings per share does not assume the conversion of the Company's outstanding redeemable shares since their exercise would result in an increase in earnings per share for continuing operations.

**Consolidated Statements of Financial Position**

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| **Non-current assets** | | | |
| Property, plant and equipment | 6,292 | 10,357 | 23,513 |
| Intangible assets | — | — | 624 |
| Investment properties | 11,114 | 12,620 | 26,758 |
| Interest in an associate | 953 | 932 | 1,107 |
| Interest in a joint venture | 285 | 303 | 568 |
| Goodwill | 4,558 | 14,114 | 50,537 |
| Deposits paid for acquisition of subsidiaries | 4,484 | 8,678 | — |
| Trade receivables | 7,092 | 9,416 | 7,585 |
| Other receivables and prepayments | 8,832 | 8,110 | 5,334 |
| Deferred tax assets | 1,875 | 2,001 | 3,848 |
| | **45,485** | **66,531** | **119,874** |
| **Current assets** | | | |
| Inventories | — | 1,274 | 200 |
| Trade receivables | 10,427 | 21,575 | 49,566 |
| Other receivables and prepayments | 19,936 | 28,772 | 43,339 |
| Payments on behalf of residents | 19,702 | 46,089 | 43,966 |
| Amounts due from customers for contract works | 38,510 | 45,749 | 43,892 |
| Amount due from immediate holding company | — | — | 1 |
| Amounts due from fellow subsidiaries | 302,146 | 330,850 | 32,153 |
| Amounts due from non-controlling shareholders | — | 675 | 13,063 |
| Amount due from an associate | 26 | — | — |
| Amount due from a related party | — | 46,250 | 1,303 |
| Financial assets classified as fair value through profit or loss ("**FVTPL**") | — | 42,200 | — |
| Restricted bank deposits | — | 997 | 997 |
| Bank balances and cash | 30,657 | 24,980 | 146,113 |
| | **421,404** | **589,411** | **374,593** |
| **Current liabilities** | | | |
| Trade payables | 16,036 | 21,444 | 20,851 |
| Other payables and accruals | 34,412 | 49,290 | 93,387 |
| Receipts on behalf of residents | 30,607 | 77,700 | 96,804 |

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Amounts due to customers for contract works | 2,002 | 616 | 2,784 |
| Amounts due to fellow subsidiaries | 249,641 | 356,778 | 36,719 |
| Amount due to immediate holding company | 3,091 | 3,283 | 1,428 |
| Amounts due to non-controlling shareholders | 828 | 624 | 1,809 |
| Amount due to an associate | — | 2,126 | 2,387 |
| Amount due to a joint venture | 169 | 94 | 94 |
| Amount due to a related party | — | — | — |
| Borrowings due within one year | 40,000 | — | 162 |
| Tax liabilities | 25,834 | 31,607 | 45,910 |
| | **402,620** | **543,562** | **302,335** |
| Liabilities associated with disposal group classified as held for sale | — | 2,509 | — |
| | **402,620** | **546,071** | **302,335** |
| **Net current assets** | **18,784** | **43,340** | **72,258** |
| **Total assets less current liabilities** | **64,269** | **109,871** | **192,132** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 556 | 338 | 509 |
| Amount due to a non-controlling shareholder | — | 1,348 | 1,091 |
| Borrowings due after one year | — | — | 215 |
| Redeemable shares | — | — | 6,614 |
| | 556 | 1,686 | 8,429 |
| **Net assets** | **63,713** | **108,185** | **183,703** |
| Capital and reserves | | | |
| Share capital | 2 | 2 | 164 |
| Reserves | 62,647 | 106,246 | 178,761 |
| Equity attributable to: | | | |
| Owners of the Company | 62,649 | 106,248 | 178,925 |
| Non-controlling interests | 1,064 | 1,937 | 4,778 |
| **Total equity** | **63,713** | **108,185** | **183,703** |

For details regarding the basis of preparation of our financial information, the discontinued operations and their presentation in the consolidated financial statements, please see the sections entitled "— Basis of Preparation" and "— Discontinued Operations and Their Presentation in the Consolidated Financial Statements."

## DESCRIPTION OF SELECTED STATEMENTS OF PROFIT OR LOSS LINE ITEMS

### Revenue

During the Track Record Period, we derived our revenue from the following three business segments:

- property management services, which primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities 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.

The following table sets forth a breakdown of revenue by major product lines under each business segment of our continuing business for the periods indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | 2012 | | 2013 | |
| | RMB'000 | % of Revenue | RMB'000 | % of Revenue | RMB'000 | % of Revenue |
| Property management services under commission basis | 28,534 | 19.5 | 34,970 | 17.8 | 64,494 | 27.7 |
| Property management services under lump sum basis | 33,311 | 22.7 | 39,044 | 19.9 | 34,744 | 14.9 |
| Pre-sale services | 12,978 | 8.9 | 30,856 | 15.7 | 37,037 | 15.9 |
| Consultancy services[1] | — | — | — | — | 528 | 0.2 |
| **Total of property management services fees** | **74,823** | **51.1** | **104,870** | **53.4** | **136,803** | **58.7** |
| Equipment installation services | 34,098 | 23.3 | 47,716 | 24.3 | 34,206 | 14.7 |
| Repair and maintenance services | 12,742 | 8.7 | 11,592 | 5.9 | 14,788 | 6.3 |
| Equipment leasing | — | — | 186 | 0.1 | 2,629 | 1.1 |
| **Total of engineering services fees** | **46,840** | **32.0** | **59,494** | **30.3** | **51,623** | **22.1** |
| Community leasing, sales and other services | | | | | | |
| Common area rental assistance | 6,897 | 4.7 | 9,677 | 4.9 | 14,578 | 6.3 |
| Purchase assistance | 5,362 | 3.6 | 8,359 | 4.2 | 13,928 | 6.0 |
| Residential and retail units rental and sales assistance | 6,306 | 4.3 | 3,960 | 2.0 | 9,166 | 3.9 |
| Others[2] | 2,297 | 1.6 | 7,440 | 3.8 | 6,971 | 3.0 |
| **Subtotal** | **20,862** | **14.2** | **29,436** | **14.9** | **44,643** | **19.2** |
| Property agency services | 3,978 | 2.7 | 2,707 | 1.4 | — | — |
| **Total of community leasing, sales and other services fees** | **24,840** | **16.9** | **32,143** | **16.3** | **44,643** | **19.2** |
| **Total revenue** | **146,503** | **100.0** | **196,507** | **100.0** | **233,069** | **100.0** |

Notes:

(1) 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.

(2) Including information system software usage fees and cleaning services fees. We granted the communities we manage the right to use the information system software we own and charge usage fees on a monthly basis. Cleaning services fees arose from our cleaning services provided to residents of the communities we manage, to which we charged property management fees on a commission basis.

Revenue from property management services increased continuously during the Track Record Period, which was primarily driven by the increase in the total revenue-bearing GFA as a result of our business expansion through organic growth and acquisition of existing property management companies.

Revenue from engineering services fluctuated during the Track Record Period, with an increase from RMB46.8 million in 2011 to RMB59.5 million in 2012 and a decrease from RMB59.5 million in 2012 to RMB51.6 million in 2013. The increase from 2011 to 2012 was primarily attributable to an increase in revenue generated by equipment installation services provided to property developers. The decrease from 2012 to 2013 was primarily attributable to our business policy to reduce the provision of engineering services to communities not managed by us.

Revenue from community leasing, sales and other services increased continuously during the Track Record Period, which was primarily because we dedicated more efforts to develop the community leasing, sales and other services business which had a higher gross profit margin than the property management services business and the engineering services business. 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 retail 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.

### Cost of Sales and Services

Our cost of sales and services primarily comprises labor costs, sub-contracting costs, costs of raw materials (which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes, and others), utility costs, depreciation and amortization and others.

The table below sets forth the breakdown of our cost of sales and services by main components for the periods indicated, both in terms of actual costs and as a percentage of total cost of sales and services.

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | 2012 | | 2013 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| **Costs by Components:** | | | | | | |
| Labor costs | 24,755 | 32.0 | 34,037 | 33.3 | 37,401 | 41.8 |
| Sub-contracting costs | 26,827 | 34.7 | 37,844 | 37.0 | 29,455 | 32.9 |
| Raw materials costs | 14,590 | 18.9 | 18,759 | 18.3 | 11,679 | 13.1 |
| Utility costs | 4,559 | 5.9 | 5,094 | 5.0 | 5,601 | 6.3 |
| Depreciation and Amortization | 984 | 1.3 | 1,071 | 1.0 | 2,872 | 3.2 |
| Others | 5,604 | 7.2 | 5,537 | 5.4 | 2,414 | 2.7 |
| **Total cost of sales and services** | **77,319** | **100.0** | **102,342** | **100.0** | **89,422** | **100.0** |

During the Track Record Period, the main factors affecting our total cost of sales and services were labor costs, sub-contracting costs and raw materials costs. The amount of labor costs and sub-contracting costs was mainly affected by the staff headcount as well as the average amount of remuneration paid.

Our labor costs amounted to 32.0%, 33.3% and 41.8% of our total cost of sales and services in 2011, 2012 and 2013, respectively. A significant component of our labor costs consists of labor costs from our property management services, which are in turn influenced by our labor costs from our pre-sale services. Although pre-sale services generally produce a gross profit margin lower than our other property management services, we provide pre-sale services to property developers as a strategy to strengthen our business relationships with them with a view to securing their property management engagements. Excluding labor costs from pre-sale services, labor costs were 17.2%, 16.6% and 20.5% of our total cost of sales and services in 2011, 2012 and 2013, respectively.

The table below sets forth the sensitivity analysis on the impact of hypothetical changes in the aggregate of labor costs (including labor costs of our administrative and selling and marketing staff) and sub-contracting costs on our profit before tax and profit after tax during the Track Record Period:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Total Net Profit from Continuing Business | 23,452 | 44,865 | 45,468 |
| **Assuming 10% increase in the aggregate of labor costs and sub-contracting costs** | | | |
| Impact on our profit before tax | (7,120) | (10,039) | (10,094) |
| Impact on our profit after tax | (5,340) | (7,529) | (7,571) |
| **Assuming 20% increase in the aggregate of labor costs and sub-contracting costs** | | | |
| Impact on our profit before tax | (14,240) | (20,078) | (20,189) |
| Impact on our profit after tax | (10,680) | (15,058) | (15,142) |

Our raw materials primarily include energy-saving light bulbs, intercommunication devices, surveillance cameras, wires and pipes for our engineering services. During the Track Record Period, the prices of intercommunication devices, surveillance cameras and energy-saving light bulbs remained relatively stable. The price of wires may be affected by the fluctuation of copper prices. We typically entered into framework agreements with terms ranging from one to three years with our major wire suppliers to lock in purchase prices of wires. During the Track Record Period, we did not experience any material fluctuation in raw materials costs.

### Gross Profit and Gross Profit Margin

Our gross profit in 2011, 2012 and 2013 amounted to RMB69.2 million, RMB94.2 million and RMB143.6 million, respectively, and during the same periods we recorded gross profit margins of 47.2%, 47.9% and 61.6%, respectively. The table below sets forth our gross profit margins by major product lines under each business segment for the periods indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | 2012 | | 2013 | |
| | Gross Profit (RMB'000) | Gross Profit Margin (%) | Gross Profit (RMB'000) | Gross Profit Margin (%) | Gross Profit (RMB'000) | Gross Profit Margin (%) |
| Property management services under commission basis | 28,534 | 100.0 | 34,970 | 100.0 | 63,305 | 98.2 |
| Property management services under lump sum basis | 1,361 | 4.1 | 8,074 | 20.7 | 12,242 | 35.2 |
| Pre-sale services | 680 | 5.2 | 1,806 | 5.9 | 3,622 | 9.8 |
| Consultancy services | — | — | — | — | 528 | 100.0 |
| **Total of property management services** | **30,575** | **40.9** | **44,850** | **42.8** | **79,697** | **58.3** |
| Equipment installation services | 9,596 | 28.1 | 11,637 | 24.4 | 9,594 | 28.0 |
| Repair and maintenance services | 8,568 | 67.2 | 7,283 | 62.8 | 8,370 | 56.6 |
| Equipment leasing | — | — | 151 | 81.2 | 2,048 | 77.9 |
| **Total of engineering services** | **18,164** | **38.8** | **19,071** | **32.1** | **20,012** | **38.8** |
| Community leasing, sales and other services | 16,515 | 79.2 | 27,549 | 93.6 | 43,938 | 98.4 |
| Property agency services | 3,930 | 98.8 | 2,695 | 99.6 | — | — |
| **Total of community leasing, sales and other services** | **20,445** | **82.3** | **30,244** | **94.1** | **43,938** | **98.4** |
| **Total** | **69,184** | **47.2** | **94,165** | **47.9** | **143,647** | **61.6** |

The gross profit margin of property management services under commission basis was 100.0%, 100.0% and 98.2% in 2011, 2012 and 2013, respectively. Under commission basis, we are entitled to retain a pre-determined percentage (typically 10.0%) of the management fees payable by the property owners. The remaining property management fees are reserved as property management working capital to cover the expenses incurred to arrange for property management services. In general, we did not incur any direct cost of sales and services with respect to our revenue from property management services under commission basis. In 2013, our gross profit margin decreased to 98.2% due to amortization of intangible assets arising from acquisitions of property management contracts through the acquisition of subsidiaries.

The gross profit margin of property management services under lump sum basis increased substantially from 4.1% in 2011 to 20.7% in 2012 and further to 35.2% in 2013 primarily because (i) we began providing property management services to certain residential communities which produced higher gross profit margins, (ii) we ceased to provide property management services to certain residential communities, the profitability of which did not meet our expectations and (iii) we have enhanced our cost control, such as the adoption of preventative measures for regular maintenance of our equipment on the relevant communities with an aim to reduce repairment expenses.

The pre-sale services generally have lower gross profit margins. We typically provide pre-sale services to property developers that agree to engage us to provide property management services to their new developments. We believe that the implementation of this strategy will enable us to strengthen our business relationships with property developers. The gross profit margin of our consultancy services was 100% in 2013 as we did not incur any direct cost of sales and services with respect to our revenue from consultancy services.

The gross profit margin of engineering services decreased from 38.8% in 2011 to 32.1% in 2012, primarily due to an increase in labor costs. The gross profit margin of engineering services increased from 32.1% in 2012 to 38.8% in 2013, primarily due to (i) our undertaking of projects with higher gross profit margins for repair and maintenance services, and (ii) our equipment leasing contributing to a larger portion of our revenue from engineering services.

Community leasing, sales and other services generally have higher gross profit margins because we incur relevantively low incremental cost when we expand our 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, through which we act as an information provider connecting local vendors with residents.

### Other Gains and Losses

Other gains and losses primarily consist of (i) bad debt written off related to other receivables, (ii) impairment loss recognized on payments on behalf of residents under commission basis and (iii) loss on disposal of property, plant and equipment. The table below sets forth the breakdown of other gains and losses for the periods indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| ***Continuing operations*** | | | |
| Other gains and losses | | | |
| Bad debt written off related to deposit paid for acquisition for a subsidiary | — | — | (350) |
| Bad debt written off related to other receivables | (2,430) | — | (590) |
| Bad debt recovery related to other receivables. | — | — | 576 |
| Fair value adjustment on non-current interest-free deposit | — | — | (666) |
| Impairment loss recognized on | | | |
| — trade receivables | — | — | (415) |
| — trade receivables — invoices to be issued | — | — | (785) |
| Impairment loss recognized on payments on behalf of residents under commission basis | (1,733) | (2,394) | (5,846) |
| Loss on disposal of property, plant and equipment | (20) | — | (1,846) |
| Others | 31 | 82 | (200) |
| | **(4,152)** | **(2,312)** | **(10,122)** |

In 2011, we made deposits to independent third parties in relation to various acquisition opportunities. We subsequently decided not to proceed with some of them. We expect that a deposit of RMB0.4 million may not be recoverable, and as a result we had written off the full deposit amount in 2013.

In 2011, we recorded bad debt written off related to other receivables of RMB2.4 million. The other receivables arose from deposits paid by us to certain suppliers of our community leasing, sales and other services to secure their procurement of certain products to be sold to residents at the residential communities we managed or provided consultancy services to. These suppliers, however, failed to refund the deposits when the transactions were terminated. In 2011, we ceased such operations and terminated all the outstanding contracts with these suppliers. As a result, the bad debt was written off.

In 2013, we received refunded deposits of RMB0.6 million which we had made bad debt provision previously, and we recognized such amount as bad debt recovery related to other receivables.

In 2013, we recognized impairment loss on trade receivables and trade receivables – invoices to be issued. We recognized impairment loss on trade receivables of RMB0.4 million in 2013 because our management assessed that the collection of these trade receivables due from customers of our community leasing, sales and other services may not be recoverable based on our historical experience of these receivables. We recognized impairment loss on trade receivables – invoices to be issued of RMB0.8 million in 2013, due to our management's assessment that we may not be able to recover certain trade receivables – invoices to be issued in connection with our energy-saving equipment installation services provided to communities we managed or provided consultancy services to, based on the historical dropout rate of our property management contracts.

We recorded impairment loss recognized on payments on behalf of residents under commission basis in the amount of RMB1.7 million, RMB2.4 million and RMB5.8 million in 2011, 2012 and 2013, respectively. The continuous increase in our impairment loss recognized on payments on behalf of residents under commission basis during the Track Record Period was generally in line with the increase of our total revenue-bearing GFA driven by the expansion of our property management services. Under commission basis, the amount we paid on behalf of a community under commission basis in excess of the management fees received from the property owners (after deducting our commission and after making related adjustments) is treated as our receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

### Other Income

Other income consists of (i) bank interest income, (ii) interest income from an advance to a customer, (iii) unconditional government grants, (iv) imputed interest income on non-current interest-free trade receivables, (v) rental income from investment properties and (vi) investment income of financial assets classified as FVTPL.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| ***Continuing operations*** | | | |
| Other income | | | |
| Bank interest income | 64 | 749 | 554 |
| Interest income from advance to a customer | — | — | 222 |
| Unconditional government grants | 200 | — | 1,657 |
| Imputed interest income on non-current interest-free trade receivables | 169 | 171 | 408 |
| Rental income from investment properties | 42 | 62 | 28 |
| Investment income of financial assets classified as FVTPL | — | 604 | 1,420 |
| | **475** | **1,586** | **4,289** |

### Selling and Distribution Expenses

Selling and distribution expenses consist of promotion and marketing expenses, staff costs, rental costs, office expenses, depreciation and amortization and others. The table below sets forth a breakdown of our selling and distribution expenses for the periods indicated:

| | Year ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | 2012 | | | 2013 | | |
| | RMB'000 | % | % revenue | RMB'000 | % | % revenue | RMB'000 | % | % revenue |
| **Selling and Distribution Expenses** | | | | | | | | | |
| Promotion and marketing expenses | 3,148 | 45.5 | 2.2 | 4,269 | 73.5 | 2.2 | 1,891 | 98.8 | 0.8 |
| Staff costs | 2,896 | 41.8 | 2.0 | 1,229 | 21.1 | 0.6 | — | — | — |
| Rental costs | 498 | 7.2 | 0.3 | 79 | 1.4 | 0.0 | — | — | — |
| Office expenses | 239 | 3.5 | 0.1 | 85 | 1.5 | 0.1 | — | — | — |
| Depreciation and amortization | 50 | 0.7 | 0.0 | 66 | 1.1 | 0.0 | 2 | 0.1 | 0.0 |
| Others | 91 | 1.3 | 0.1 | 81 | 1.4 | 0.1 | 22 | 1.1 | 0.0 |
| **Total** | **6,922** | **100.0** | **4.7** | **5,809** | **100.0** | **3.0** | **1,915** | **100.0** | **0.8** |

### Administrative Expenses

Administrative expenses consist of compensation for administrative staff, office expenses, traveling expenses, depreciation and amortization, rental costs, professional fees and others, including those we may recharge to residential communities managed on a commission basis as discussed below. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

| | Year ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | 2012 | | | 2013 | | |
| | RMB'000 | % | % revenue | RMB'000 | % | % revenue | RMB'000 | % | % revenue |
| **Administrative Expenses** | | | | | | | | | |
| Staff costs | 16,726 | 56.0 | 11.4 | 27,276 | 60.6 | 13.9 | 34,088 | 56.6 | 14.6 |
| Office expenses | 5,731 | 19.2 | 3.9 | 7,809 | 17.4 | 4.0 | 10,373 | 17.2 | 4.5 |
| Traveling expenses | 4,477 | 15.0 | 3.1 | 7,714 | 17.1 | 3.9 | 9,106 | 15.1 | 3.9 |
| Depreciation and amortization | 822 | 2.8 | 0.6 | 1,008 | 2.2 | 0.5 | 2,244 | 3.7 | 1.0 |
| Rental costs | 1,083 | 3.6 | 0.7 | 1,164 | 2.6 | 0.6 | 1,343 | 2.2 | 0.6 |
| Professional fees | 544 | 1.8 | 0.4 | 49 | 0.1 | 0.0 | 2,827 | 4.7 | 1.2 |
| Others | 471 | 1.6 | 0.3 | 17 | 0.0 | 0.0 | 295 | 0.5 | 0.1 |
| **Total** | **29,854** | **100.0** | **20.4** | **45,037** | **100.0** | **22.9** | **60,276** | **100.0** | **25.9** |

As of the Latest Practicable Date, Fantasia Holdings granted share options to four of our Directors, namely Mr. Tang Xuebin (唐學斌), Mr. Dong Dong (董東), Mr. Pan Jun (潘軍) and Mr. Lam Kam Tong (林錦堂), and four employees of our Group involving a total number of 17,190,000 options. For further information on the relevant financial impact on our Group, please refer to note 44 of the Accountants' Report as set out in Appendix I to this prospectus.

### Expenses Recharged to Residential Communities Under Commission Basis

Expenses which we can recharge to residential communities under commission basis are administrative expenses which are incurred at our headquarters by departments such as information technology, finance and treasury, human resources, legal and compliance, central command center and operational management team and directly attributable to providing property management services to such communities. Under the relevant property management contracts, we are entitled to recharge such expenses to the relevant residential communities. The expenses are allocated and recharged to each community managed on a commission basis with reference to (i) revenue generated by each community's management office, and each management office's contribution to our Group's revenue, and (ii) the expenses incurred at the headquarters which are directly attributable to the performance of property management services at each community.

These recharged expenses increased by 85.6% from RMB9.9 million in 2011 to RMB18.5 million in 2012. The increase represented a rise in headquarters' administrative expenses attributable to providing property management services on a commission basis, which was in turn primarily due to an increase in contracted GFA we managed on a commission basis. By leveraging our existing resources, knowledge gained from past experience and increased automation and standardization (partly through our equipment leasing program), our headquarters' functions have become more efficient, and we were able to exercise greater control over these expenses. As a result, the recharged expenses decreased by 6.0% fromRMB18.5 million in 2012 to RMB17.3 million in 2013. The decreased total recharged expenses, coupled with an increase in the number of residential communities we managed on a commission basis, also had a positive effect on the overall profitability of communities we managed on a commission basis in 2013, although such effect was immaterial when compared to the total revenue generated on the management office level by such communities.

Because the administrative expenses we can recharge to the residential communities managed under commission basis are those expenses directly attributable to providing property management services to communities and constitute a portion of our total administrative expenses, their year-on-year changes do not necessarily mirror the changes in our total administrative expenses. For instance, during the Track Record Period we continued to incur administrative expenses at our headquarters which were not directly attributable to providing property management services to individual communities, such as (i) spending to further improve the functionality of our central command center, (ii) certain investments in the development of our online service platform, and (iii) expenses to enhance our headquarters' corporate structure for internal compliance. Such administrative expenses affected the year-on-year changes in our total administrative expenses, but had no effect on the expenses recharged to residential communities under commission basis, during the Track Record Period.

### Finance Costs

Our finance costs primarily consist of (i) interest on bank borrowings wholly repayable within five years (including one bank loan which bears an effective interest rate of 6.6% per annum and was repaid in full in 2012), (ii) interest on a non-trade related loan for working capital from a non-controlling shareholder of a subsidiary of the Group, which bears an interest rate of 8.9% per annum and matures at the end of 2020 and (iii) interest on redeemable shares within five years, which bear an effective interest rate of 12% per annum.

### Listing Expenses

Listing expenses primarily consist of the service fees we paid to the professional parties engaged in connection with our preparation for the Global Offering.

### Changes in Fair Value of Investment Properties

The changes in fair value of our investment properties arises from change in the market prices of our investment properties and any gain or loss arising from the disposal of our investment properties. Our investment properties include primarily the properties we received from property developers as partial consideration from property developers for property management and engineering services we provided. Based on (i) our management's experience and understanding that property developers may settle their service fees for property management and engineering services with investment properties; (ii) the Retained Group's understanding that property developers sometimes use properties to settle their payables; and (iii) the confirmation by China Index Academy that according to its enquiries with PRC property developers, we believe it is a common practice in the PRC that property developers may settle their payables for property management and engineering services through payment-in-kind in the form of properties. In 2011, 2012 and 2013, we received investment properties of RMB2.4 million, nil and RMB10.6 million, respectively, which amounted to 2.0%, nil and 4.5% of the total revenue we generated from our property management and engineering services, respectively.

We carefully consider proposals by property developers to settle their consideration through transferring investment properties to us by evaluating the value of the relevant properties against comparable properties on the market, and only accept such proposals if we believe that the values of the relevant properties equal or exceed the amount of the relevant receivables due from the property developers and are likely to increase in the future. Such payment terms do not affect how we assess the receivables due from the property developers, as we only agree to receive properties in lieu of cash if we believe the values of the relevant properties meet our expected criteria as mentioned above. We expect that we may continue to accept investment properties as partial consideration for our services going forward. During the Track Record Period, we also purchased three properties with a view to preserving the value of the underlying capital. Our operational staff was responsible for identifying suitable properties after preliminary due diligence review, including but not limited to site visits and pricing trend analysis. Their proposals would be implemented following final review and approval by our chief executive officer and chief financial officer. Going forward, we plan to cease such investment to better concentrate on our core businesses. We hold these investment properties to earn rental income or for capital appreciation. In 2012, we disposed of investment properties of RMB2.9 million at carrying value. Except for the foregoing, we have not, and do not plan to, actively pursue opportunities in property investment.

### Impairment Loss Recognized on Goodwill

Goodwill is the result of the consideration we paid to acquire entities, less or add the fair value of net identifiable assets or liabilities acquired, respectively, with adjustments to reflect our non-controlling interests in the acquired entities, if any. When we value and assess the appropriate consideration for acquisitions, we assume that the management of the related communities can be extended beyond the expiration dates of the property management contracts. We make this assumption based on our operational experience and our understanding of the industry practice.

For the purpose of impairment testing, goodwill was allocated to a property management cash-generating unit. The carrying amounts of goodwill net of accumulated impairment loss amounted to RMB4.6 million, RMB14.1 million and RMB50.5 million as of December 31, 2011, 2012 and 2013, respectively. In 2011, our Directors determined that the performance of Shenzhen Robert Housekeeper, which was acquired in July 2011, did not meet the expected performance result as at the time of its acquisition, and thereby we recognized an impairment loss of RMB870,000 in 2011. We subsequently disposed of our entire equity interest in Shenzhen Robert Housekeeper to an Independent Third-Party in July 2013. We believe that Shenzhen Robert Housekeeper was unable to meet the expected performance primarily due to the minority shareholder's disagreement with us on certain operational issues, such as the implementation of our standardization, centralization and automation strategy. In recent acquisitions, we have 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. For information regarding our post-acquisition evaluation, see the section entitled "Business — Our Property Management Services — Selection Process of Target Communities for Expanding our Property Management Services — Post-acquisition evaluation."

### Share of Results of an Associate

Our share of results of an associate consists of our shares of gains of Shenzhen Yuezhong Property Management (越衆物業管理有限公司), in which we held a 50% equity interest during the Track Record Period. The remaining interests were held as to 40% by Shenzhen Yuezhong (Group) Co., Ltd. (深圳市越衆(集團)股份有限公司) and 10% by Shenzhen Pengzhu Car Repair Factory (深圳市鵬竹汽車修配廠) during the same period.

### Share of Results of a Joint Venture

Our share of results of a joint venture represents our interest in a joint venture, Guilin Tongji Building Technologies (桂林同濟樓宇科技工程安裝有限公司), in which we held a 50% equity interest during the Track Record Period. The remaining 50% interest was held by Guilin Zhenan Property Service Co., Ltd. (桂林市振安物業服務有限公司) during the same period.

### Gain on Disposal of Subsidiaries

Our gain on disposal of subsidiaries results from our disposal of our entire equity interest in Shenzhen Caiyue Hotel, Shenzhen Caiyue Hotel Management, Shenzhen Robert Housekeeper and Shenzhen Colour Life Qingjie Service to Independent Third Parties during 2013.

### Income Tax Expense

No provision for Hong Kong profits tax has been made as our income neither arose in nor was derived from Hong Kong during the Track Record Period.

Our income tax expense mainly comprises EIT at the tax rate of 25% on the income of our subsidiaries incorporated in the PRC. The applicable tax rates for Shenzhen Colour Life Property Management, Shenzhen Kaiyuan Tongji and Shenzhen Robert Housekeeper for the year ended December 31, 2011 was 24% due to the tax concessions they received. The applicable tax rate for Shenzhen Colour Life Property Management and Shenzhen Kaiyuan Tongji for the year ended December 31, 2012 and 2013 was 25%.

Deferred tax has not been provided for in respect of the tax effect of temporary differences attributable to the accumulated PRC undistributed earnings of our Group as of December 31, 2011, 2012 and 2013 amounting to approximately RMB21 million, RMB75 million and RMB143 million, respectively, as we are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expense for the periods can be reconciled to the profit before tax as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Profit before tax | 38,381 | 60,861 | 70,935 |
| Tax at the PRC EIT rate of 25% | 9,595 | 15,215 | 17,734 |
| Tax effect of expenses not deductible for tax purpose[1] | 5,445 | 509 | 6,073 |
| Tax effect of tax losses not recognized | 155 | 327 | 1,045 |
| Utilization of tax loss previously not recognized | (380) | — | (592) |
| Tax effect of deductible temporary difference not recognized | 608 | 205 | 1,305 |
| Tax effect of share of results of an associate | (90) | (76) | (44) |
| Tax effect of share of results of a joint venture | (55) | (43) | (66) |
| Tax effect of different tax rates of branches | (276) | (251) | (252) |
| Effect of tax concession and preferential tax rate | (509) | — | — |
| Others | 436 | 110 | 264 |
| Income tax expense | 14,929 | 15,996 | 25,467 |

Notes:

(1) Expenses not deductible for tax purpose for 2011 mainly represents the sub-contracting costs incurred in engineering services segment with no tax invoices for deduction purpose. In 2011 and 2012, expenses not deductible also included welfare and entertainment expenses exceeding the tax deduction limits under EIT law, and write-off of receivables without tax authority approval. Expenses not deductible for tax purpose in 2013 mainly represented listing expenses that are non-deductible for tax purposes and welfare and entertainment expenses exceeding the tax deduction limits under the EIT law.

(2) Pursuant to the EIT Law, the Notice of the State Administration of Taxation on Issuing the Interim Measures for the Administration of Collection of Enterprise Income Tax on the Basis of Consolidation of Trans-regional Business Operations (國税發[2008]28：國家税務總局關於印發《跨地區經營匯總納税企業所得税徵收管理暫行辦法》的通知) (No. 28 [2008] of the State Administration of Taxation) , repealed by the Announcement of the State Administration of Taxation on Issuing the Measures for the Consolidated Collection of Enterprise Income Tax on Trans-regional Business Operation (《國家税務總局關於印發《跨地區經營匯總納税企業所得税徵收管理辦法》的公告》(國家税務總局公告2012年第57)) (No. 57 of the State Administration of Taxation) which became effective on January 1, 2012, and the Administration Measures for the Allocation and Budget Management of Enterprise Income Tax for Enterprises with Headquarters and Branches across Provinces (《跨省市總分機構企業所得税分配及預算管理辦法》 (財預[2012]40號)) (Caiyu (2012) No. 40) in the PRC, the assessable profits and Enterprise Income Tax payable by a resident enterprise shall be determined based on the combined results of itself and its management bodies which do not possess legal identities. On this basis, some of our property management subsidiaries combined the assessable profits and losses of certain management offices of the communities managed by us when they filed tax returns. As a result of the aforesaid combined tax returns arrangement, we have utilized the tax losses of certain loss-making communities. In 2011, 2012 and 2013, we have utilized the tax losses of communities managed on a commission basis of RMB8.8 million, RMB15.1 million and RMB22.7 million, respectively, and in the same year the utilization of such tax losses resulted in deferral of our Group's payment of Enterprise Income Tax provision of RMB2.1 million, RMB3.8 million and RMB5.7 million, respectively. According to our policy, in the event that the loss-making communities become profitable resulting in assessable profits in subsequent years, the assessable profits of the community will be incorporated in our combined tax returns and we are obliged to make tax payments arising from such profits on behalf of the relevant communities until the tax losses of the relevant communities, previous utilized by us, are fully recovered by the relevant communities or such community's tax losses have expired.

The utilization of such tax losses of communities and the deferral of our Group's payment of Enterprise Income Tax provision had no effect on our consolidated profit or loss during the Track Record Period. For financial accounting purposes, our Group debits the income tax expenses and credits income tax payables based on assessable profits at the applicable tax rates of our property management subsidiaries. When filing the tax returns for each reporting period, our property management subsidiaries filed combined tax returns, and under those combined tax returns the assessable profits included the profit or loss of the property management subsidiaries plus the profit or loss of the communities managed by our property management subsidiaries under commission basis. Our property management subsidiaries pay the Enterprise Income Tax based on the assessable profits of the combined tax filings by debiting the income tax payables and crediting the bank balances.

Our effective tax rate in 2011, 2012 and 2013 was 38.9%, 26.3% and 35.9%, respectively. Our effective tax rate in 2012 was lower than that in 2011, primarily because in 2011, the tax invoices were not collected in a timely manner for tax deduction purposes. Those tax invoices related to expenses paid to sub-contractors we engaged in our engineering services segment which did not have authorizations from the tax authorities to issue tax invoices. Under relevant laws and regulations, such sub-contractors had to apply for tax invoices from tax authorities. In 2011, we did not make those sub-contractors apply for such tax invoices in time. As a result, we recorded tax effect of expenses not deductible for tax purpose of RMB5.4 million in 2011. The relevant tax invoices have not been collected subsequently, and the underlying expenses will not be deductable for tax purpose. Commencing in 2012, we adopted a stricter policy requiring collection of tax invoices for tax deduction purposes, and as a result our tax effect of expenses not deductible for tax purpose decreased to RMB0.5 million in 2012. For further information, please see the section entitled "Business — Legal Proceedings and Compliance — Internal Control." Expenses not deductible for tax purpose in 2013 mainly represented listing expenses that are non-deductible for tax purposes, which was the primary factor leading to the increase in our effective tax rate in the period.

Our Directors confirm that, pursuant to the confirmation letters with respect to our PRC subsidiaries issued by the relevant PRC and local tax bureaus, each of our PRC subsidiaries has made all the required tax filings under the relevant tax laws and regulations in the PRC, and has not received any penalty notice from the local tax bureaus which could result in a material adverse effect on our PRC subsidiaries.

**Discontinued Operations**

In August 2010, Yahao Technology disposed of all equity interest that it held in Shenzhen Siyuan Consultancy. In March 2011, Yahao Technology disposed of all equity interest that it held in Shenzhen Hongwei and Ningxia Hui Construction. Please see the section entitled "History, Reorganization and the Group Structure."

During the Track Record Period, we operated hotel operations through Shenzhen Caiyue Hotel, our indirect wholly owned subsidiary. With our disposal of Shenzhen Caiyue Hotel in March 2013, we terminated our hotel management operations, which thereby became part of our discontinued operations. Please see the sections entitled "— Discontinued Operations and their Presentation in the Consolidated Financial Statements" and "History, Reorganization and the Group Structure."

The results of the other property operation in 2011, which have been included in the consolidated statements of profit or loss and other comprehensive income, were as follows:

| | Year ended December 31, 2011 |
|---|---|
| | RMB'000 |
| Revenue | 110 |
| Cost of sales and services | (4) |
| Gross Profit | 106 |
| Other income, gains and losses | 7,185 |
| Selling and distribution expenses | (16,136) |
| Administrative expenses | (17,211) |
| Changes in fair value of investment properties | (248) |
| Changes in fair value of investment properties upon transfer from properties held for sale | 2,577 |
| Finance costs | (13,835) |
| Loss before tax | (37,562) |
| Income tax credit | 1,223 |
| Loss for the year | (36,339) |

The results of our discontinued hotel operation during the Track Record Period, which are included in the consolidated statements of profit or loss and other comprehensive income, are set forth in the table below:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 8,311 | 3,632 | — |
| Cost of sales and services | (6,222) | (2,975) | — |
| Other income and other gains and losses | 260 | 201 | — |
| Selling and distribution expenses | (178) | (34) | — |
| Administrative expenses | (2,041) | (1,061) | — |
| (Loss) profit before tax | 130 | (237) | — |
| Income tax expense | (247) | (292) | — |
| (Loss) for the year | (117) | (529) | — |

### Non-controlling Interest

Prior to July 25, 2011, the results of the companies comprising our Group attributable to Senior Management of Shenzhen Colour Life were accounted for as minority interest. On July 25, 2011, upon completion of a series of share transfer transactions, the Senior Management of Shenzhen Colour Life owned 30% of our Company through Splendid Fortune, and Fantasia Holdings held 70% of our Company. Please see the section entitled "History, Reorganization and the Group Structure." As a result, there were no further non-controlling interest in relation to the Senior Management of Shenzhen Colour Life.

## RESULT OF CONTINUING OPERATIONS

### 2013 Compared to 2012

#### *Revenue*

Revenue increased by 18.6% from RMB196.5 million in 2012 to RMB233.1 million in 2013. The increase in revenue was primarily due to (i) an increase in the total revenue-bearing GFA and (ii) an increase in the amount of community leasing, sales and other services we delivered.

- *Property Management Services.* Revenue from property management services contributed to 53.4% and 58.7% of our total revenue in 2012 and 2013, respectively. Revenue from property management services increased by 30.5% from RMB104.9 million in 2012 to RMB136.8 million in 2013, which was mainly attributable to an increase in the total revenue-bearing GFA as a result of our business expansion. In 2013, we increased our total contracted GFA by approximately 12.0 million sq.m. through acquisition of existing property management companies and by approximately 47.9 million sq.m. through organic growth, including by obtaining service engagements for new property developments and for communities that replaced their previous property management companies.

- *Engineering Services.* Revenue from engineering services contributed to 30.3% and 22.1% of our total revenue in 2012 and 2013, respectively. Revenue from engineering services decreased by 13.2% from RMB59.5 million in 2012 to RMB51.6 million in 2013, primarily attributable to our business policy to reduce the provision of engineering services to communities not managed by us.

- *Community Leasing, Sales and Other Services.* Revenue from community leasing, sales and other services contributed to approximately 16.4% and 19.2% of our total revenue in 2012 and 2013, respectively. Revenue from community leasing, sales and other services increased by 38.9% from RMB32.1 million in 2012 to RMB44.6 million in 2013, which was primarily attributable to an increase in (i) common area rental assistance fees from RMB9.7 million to RMB14.6 million, (ii) purchase assistance fees from RMB8.4 million to RMB13.9 million and (iii) residential and retail units rental and sales referral fees from RMB4.0 million to RMB9.2 million, which was partially offset by a decrease in property agency fees generated by Shenzhen Xingyanhang Real Estate from RMB2.7 million to nil. We gradually phased out our property agency services in connection with our implementation of the business policy of focusing on developing a service platform, through which we act as an information provider connecting local vendors with residents.

### *Cost of sales and services*

Cost of sales and services decreased from RMB102.3 million in 2012 to RMB89.4 million in 2013. The decrease in cost of sales and services was primarily due to (i) a decrease in our sub-contracting costs from RMB37.8 million to RMB29.5 million, and (ii) a decrease in raw materials costs from RMB18.8 million to RMB11.7 million as a result of a decrease in equipment installation services primarily provided to property developers, partially offset by an increase in our labor costs from RMB34.0 million to RMB37.4 million resulting from an increase in both headcount and average salary.

### *Gross profit and gross profit margin*

Our gross profit increased by 52.5% from RMB94.2 million in 2012 to RMB143.6 million in 2013. Our gross profit margin increased from 47.9% in 2012 to 61.6% in 2013 primarily due to the growth of our property management services and community leasing, sales and other services segments, which carry higher gross profit margins.

- *Property Management Services.* The gross profit margin of our property management services increased from 42.8% in 2012 to 58.3% in 2013, primarily due to revenue from our property management services under commission basis accounting for a higher percentage of our total property management services revenue.

- *Engineering Services.* The gross profit margin of our engineering services increased from 32.1% in 2012 to 38.8% in 2013, primarily due to (i) our undertaking of projects with higher margins for our repair and maintenance services, and (ii) our equipment leasing contributing to a larger portion of our revenue from engineering services.

- *Community Leasing, Sales and Other Services.* The gross profit margin of our community leasing, sales and other services increased from 94.1% in 2012 to 98.4% in 2013, primarily due to our improved cost efficiency as a result of an increase in the amount of services we delivered, which reduced our per unit cost.

***Other gains and losses***

Our other losses increased by 337.8% from the loss of RMB2.3 million in 2012 to the loss of RMB10.1 million in 2013. The increase was primarily due to (i) an increase in impairment loss recognized on payments on behalf of residents under commission basis from RMB2.4 million to RMB5.8 million, which was in turn due to an increase of GFA managed on a commission basis, (ii) loss on disposal of property, plant and equipment of RMB1.8 million in 2013 due to certain automobiles we disposed of, and (iii) impairment loss recognized on trade receivables and trade receivables — invoices to be issued of RMB1.2 million, which we believe may not be recovered based on the historical dropout rate of our property management contracts, partially offset by a gain from bad debt recovery related to other receivables of RMB0.6 million, which was in turn due to the recovery of certain deposits we paid to suppliers of our community leasing, sales and other services previously written-off as bad debt.

***Other income***

Our other income increased from RMB1.6 million in 2012 to RMB4.3 million in 2013. The increase was primarily due to (i) an increase in investment income of financial assets classified as FVTPL from RMB0.6 million to RMB1.4 million, which was primarily attributable to increased investments in structured deposits, and (ii) an increase in unconditional government grants from nil to RMB1.7 million, which was awarded by the government as a result of tax contribution.

***Selling and distribution expenses***

Selling and distribution expenses decreased by 67.0% from RMB5.8 million in 2012 to RMB1.9 million in 2013. The decrease was mainly due to a decrease in (i) promotion and marketing expenses from RMB4.3 million to RMB1.9 million resulting from the postponement of the launch of our centralized marketing campaign through our headquarters, and (ii) staff costs from RMB1.2 million to nil resulting from our outsourcing of marketing work.

***Administrative expenses***

Administrative expenses increased by 33.8% from RMB45.0 million in 2012 to RMB60.3 million in 2013. The increase was primarily due to (i) an increase in office expenses from RMB7.8 million to RMB10.4 million, (ii) an increase in staff costs from RMB27.3 million to RMB34.1 million and (iii) an increase in professional fees from approximately RMB49,000 to RMB2.8 million, which was primarily due to costs we incurred as part of our due diligence efforts in connection with our acquisition activities.

***Expenses recharged to residential communities under commission basis***

Expenses recharged to residential communities under commission basis decreased by 6.0% from RMB18.5 million in 2012 to RMB17.3 million in 2013. The decrease was primarily due to our enhanced automation and standardization, thereby reducing expenses incurred at our headquarters to provide property management services to communities managed on a commission basis.

### *Finance costs*

Finance costs remained stable at RMB0.6 million in 2012 and 2013.

### *Listing expenses*

Our listing expenses amounted to RMB22.9 million in 2013, which primarily consisted of the service fees we paid to the professional parties engaged in connection with our preparation for the Global Offering.

### *Changes in fair value of investment properties*

Our changes in fair value of investment properties increased to a gain of RMB0.2 million in 2013 from a loss of RMB0.1 million in 2012, which was primarily due to the growth in market value of the respective investment properties which was reassessed at the end of each period.

### *Share of results of an associate*

Share of profit of an associate decreased from RMB0.3 million in 2012 to RMB0.2 million in 2013.

### *Share of results of a joint venture*

Share of results of a joint venture increased from RMB0.2 million in 2012 to a share of profit of RMB0.3 million in 2013.

### *Gain on disposal of subsidiaries*

Gain on disposal of subsidiaries increased from nil to RMB0.8 million in 2013. This gain was due to the disposal of our entire equity interest in Shenzhen Caiyue Hotel, Shenzhen Caiyue Hotel Management, Shenzhen Robert Housekeeper and Shenzhen Colour Life Qingjie Service to Independent Third Parties during 2013.

### *Income tax expense*

Our income tax expense increased from RMB16.0 million in 2012 to RMB25.5 million in 2013, primarily due to an increase in our taxable profit. Our effective tax rate increased from 26.3% in 2012 to 35.9% in 2013, primarily due to an increase in non-tax deductible business expenses, mainly including the listing expenses we incurred.

### *Profit for the period from continuing operations*

As a result of the foregoing, our profit for the period from continuing operations increased from RMB44.9 million in 2012 to RMB45.5 million in 2013.

### *Profit and total comprehensive income for the period from continuing operations attributable to owners of our company*

Profit and total comprehensive income from continuing operations attributable to owners of the Company increased by 0.9% from RMB44.0 million in 2012 to RMB44.4 million in 2013.

***Profit and total comprehensive income for the period from continuing operations attributable to non-controlling interest owners of our company***

Profit and total comprehensive income from continuing operations attributable to non-controlling interests increased from RMB0.9 million in 2012 to RMB1.1 million in 2013.

**2012 Compared to 2011**

***Revenue***

Revenue increased by 34.1% from RMB146.5 million in 2011 to RMB196.5 million in 2012. The increase in revenue was primarily due to (i) an increase in the total revenue-bearing GFA, (ii) an increase in fees from provision of engineering services and (iii) an increase in community leasing, sales and other services we delivered.

- *Property Management Services*. Revenue from property management services contributed to 51.1% and 53.4% of our total revenue in 2011 and 2012, respectively. Revenue from property management services increased by 40.2% from RMB74.8 million in 2011 to RMB104.9 million in 2012, which was primarily attributable to an increase in the total revenue-bearing GFA as a result of our business expansion. In 2012, we increased the total contracted GFA by approximately 1.5 million sq.m through acquisition of existing property management companies and by approximately 14.4 million sq.m through organic growth, including obtaining service engagements for new property developments and, for communities that replaced their existing property management companies.

- *Engineering Services*. Revenue from engineering services contributed to 32.0% and 30.3% of our total revenue in 2011 and 2012, respectively. Revenue from engineering services increased by 27.1% from RMB46.8 million in 2011 to RMB59.5 million in 2012, which was primarily attributable to an increase in revenue generated by equipment installation services provided to property developers.

- *Community Leasing, Sales and Other Services*. Revenue from community leasing, sales and other services contributed to 16.9% and 16.4% of our total revenue in 2011 and 2012, respectively. Revenue from community leasing, sales and other services increased by 29.4% from RMB24.8 million in 2011 to RMB32.1 million in 2012, which was primarily attributable to (i) an increase in purchase assistance fees from RMB5.4 million in 2011 to RMB8.4 million in 2012, (ii) an increase in others which include information system software usage fees and cleaning services fees from RMB2.3 million in 2011 to RMB7.4 million in 2012 and (iii) an increase in common area rental assistance fees from RMB6.9 million in 2011 to RMB9.7 million in 2012, which were partially offset by (i) a decrease in our residential and retail units rental and sales assistance revenue from RMB6.3 million in 2011 to RMB4.0 million in 2012, as we ceased our sub-leasing operation in 2012, and (ii) a decrease in property agency fees from RMB4.0 million in 2011 to RMB2.7 million in 2012, generated by Shenzhen Xingyanhang Real Estate. We gradually phased out our sub-leasing operation and property agency services in connection with our implementation of the business policy of focusing on developing a service platform, through which we act as an information provider connecting local vendors with residents. Our community leasing, sales and other services increased as we made increasing efforts to develop this business segment primarily due to the increase in the number of communities we served.

***Cost of sales and services***

Cost of sales and services increased by 32.3% from RMB77.3 million in 2011 to RMB102.3 million in 2012. The increase in cost of sales and services was primarily due to (i) an increase in labor costs from RMB24.8 million in 2011 to RMB34.0 million in 2012 as a result of an increase in our headcount and average salary, (ii) an increase in sub-contracting costs from RMB26.8 million in 2011 to RMB37.8 million in 2012 due to an increase in our provision of property management services to communities managed on a lump sum basis and engineering services and (iii) an increase in raw material costs from RMB14.6 million in 2011 to RMB18.8 million in 2012 driven by an increase in our provision of engineering services.

***Gross profit and gross profit margin***

Our gross profit increased by 36.1% from RMB69.2 million in 2011 to RMB94.2 million in 2012. Our gross profit margin increased from 47.2% in 2011 to 47.9% in 2012 due to an increase in the gross profit margin of our property management business and community leasing, sales and other services.

- *Property Management Services*. The gross profit margin of our property management services increased from 40.9% in 2011 to 42.8% in 2012, primarily due to the improvement of the gross profit margin for our property management services charged under lump sum basis.

- *Engineering Services*. The gross profit margin of our engineering services decreased from 38.8% in 2011 to 32.1% in 2012, primarily due to an increase in labor costs.

- *Community Leasing, Sales and Other Services*. The gross profit margin of our community leasing, sales and other services increased from 82.3% in 2011 to 94.1% in 2012, primarily due to the completion of the amortization of initial investment made for common area rental assistance business in 2012 and an increase in the proportion of revenue contribution from purchase assistance, which had a higher profit margin.

***Other gains and losses***

Net other losses decreased by 45.2% from a loss of RMB4.2 million in 2011 to a loss of RMB2.3 million in 2012. The decrease was primarily due to a decrease in bad debt written off related to other receivables from RMB2.4 million in 2011 to nil in 2012, which was partially offset by an increase in impairment loss recognized on payments on behalf of residents under commission basis from RMB1.7 million in 2011 to RMB2.4 million in 2012.

***Other income***

Our other income increased by 220% from RMB0.5 million in 2011 to RMB1.6 million in 2012. The increase was primarily due to (i) an increase in bank interest income from RMB0.1 million in 2011 to RMB0.7 million in 2012 and (ii) an increase in investment income of financial assets classified as FVTPL from nil in 2011 to RMB0.6 million in 2012, partially offset by a decrease in unconditional government grants from RMB0.2 million in 2011 to nil in 2012.

***Selling and distribution expenses***

Selling and distribution expenses decreased by 16.1% from RMB6.9 million in 2011 to RMB5.8 million in 2012. The decrease was primarily due to (i) a decrease in staff costs from RMB2.9 million in 2011 to RMB1.2 million in 2012 due to our outsourcing of certain marketing work and (ii) a decrease in rental cost from RMB0.5 million in 2011 to RMB0.1 million in 2012, which were partially offset by an increase in promotion and marketing expenses from RMB3.1 million in 2011 to RMB4.3 million in 2012.

***Administrative expenses***

Administrative expenses increased by 50.9% from RMB29.9 million in 2011 to RMB45.0 million in 2012. The increase was primarily due to (i) an increase in our staff costs from RMB16.7 million in 2011 to RMB27.3 million in 2012 as a result of an increase in the administrative staff headcount and the average salary, (ii) an increase in office expenses from RMB5.7 million in 2011 to RMB7.8 million in 2012 and (iii) an increase in traveling expenses from RMB4.5 million in 2011 to RMB7.7 million in 2012 as a result of our business expansion.

***Expenses recharged to residential communities under commission basis***

Expenses recharged to residential communities under commission basis increased by 85.6% from RMB9.9 million in 2011 to RMB18.5 million in 2012. The increase was primarily due to an increase in contracted GFA we managed on a commission basis.

***Finance costs***

Finance costs decreased by 45.5% from RMB1.1 million in 2011 to RMB0.6 million in 2012. The decrease was primarily due to our repayment of a RMB40.0 million bank loan bearing an effective interest rate 6.6% in February 2012, which was partially offset by our borrowing of an interest-bearing loan from a non-controlling shareholder.

***Changes in fair value of investment properties***

Our changes in fair value of investment properties decreased to a loss of RMB0.1 million in 2012 from a gain of RMB1.1 million in 2011, which was primarily due to the change in the market prices of our investment properties.

***Impairment loss recognized on goodwill***

Impairment loss recognized on goodwill decreased from RMB0.9 million in 2011 to nil in 2012 as there was no impairment of any of our acquired subsidiaries containing goodwill.

***Share of results of an associate***

Share of profits of an associate decreased from RMB0.4 million in 2011 to RMB0.3 million in 2012.

***Share of results of a joint venture***

Share of profits of a joint venture remained stable at RMB0.2 million in 2011 and 2012.

***Income tax expense***

Our income tax expense increased by 7.4% from RMB14.9 million in 2011 to RMB16.0 million in 2012, primarily due to an increase in our taxable profit. Our effective tax rate decreased from 38.8% in 2011 to 26.3% in 2012, primarily due to our implementation of a stricter policy on collection of payment receipts for tax deduction purposes, which resulted in an increase in our tax deductible cost.

***Profit for the year from continuing operations***

As a result of the foregoing, our profit for the year from continuing operations increased by 91.1% from RMB23.5 million in 2011 to RMB44.9 million in 2012.

***Profit and total comprehensive income for the year from continuing operations attributable to owners of the company***

Profit and total comprehensive income from continuing operations attributable to owners of the Company increased by 123.0% from RMB19.7 million in 2011 to RMB44.0 million in 2012.

***Profit and total comprehensive income for the year from continuing operations attributable to non-controlling interests***

Profit and total comprehensive income from continuing operations attributable to non-controlling interests decreased by 75.7% from RMB3.7 million in 2011 to RMB0.9 million in 2012.

## CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets out our current assets and current liabilities of the dates indicated.

| | As of December 31, | | | As of April 30, 2014 |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) |
| **Current assets** | | | | |
| Inventories | — | 1,274 | 200 | 259 |
| Trade receivables | 10,427 | 21,575 | 49,566 | 66,278 |
| Other receivables and prepayments | 19,936 | 28,772 | 43,339 | 79,881 |
| Payments on behalf of residents | 19,702 | 46,089 | 43,966 | 66,820 |
| Amounts due from customers for contract works | 38,510 | 45,749 | 43,892 | 45,664 |
| Amount due from immediate holding company | — | — | 1 | 1 |
| Amounts due from fellow subsidiaries | 302,146 | 330,850 | 32,153 | 77,088 |
| Amounts due from non-controlling shareholders | — | 675 | 13,063 | 13,063 |
| Amount due from an associate | 26 | — | — | — |
| Amount due from a related party | — | 46,250 | 1,303 | 1,303 |
| Financial assets classified as fair value through profit or loss ("**FVTPL**") | — | 42,200 | — | — |
| Restricted bank deposits | — | 997 | 997 | 997 |
| Bank balances and cash | 30,657 | 24,980 | 146,113 | 76,219 |
| | **421,404** | **589,411** | **374,593** | **427,573** |
| **Current liabilities** | | | | |
| Trade payables | 16,036 | 21,444 | 20,851 | 26,008 |
| Other payables and accruals | 34,412 | 49,290 | 93,387 | 81,855 |
| Receipts on behalf of residents | 30,607 | 77,700 | 96,804 | 118,710 |
| Amounts due to customers for contract works | 2,002 | 616 | 2,784 | 1,682 |
| Amounts due to fellow subsidiaries | 249,641 | 356,778 | 36,719 | 25,417 |
| Amount due to immediate holding company | 3,091 | 3,283 | 1,428 | 8,532 |
| Amounts due to non-controlling shareholders | 828 | 624 | 1,809 | 6,848 |
| Amount due to an associate | — | 2,126 | 2,387 | 3,048 |
| Amount due to a joint venture | 169 | 94 | 94 | — |
| Amount due to a related party | — | — | — | 534 |
| Borrowings due within one year | 40,000 | — | 162 | 162 |
| Tax liabilities | 25,834 | 31,607 | 45,910 | 46,922 |
| | **402,620** | **543,562** | **302,335** | **319,718** |
| Liabilities associated with disposal group classified as held for sale | — | 2,509 | — | — |
| | 402,620 | 546,071 | 302,335 | 319,718 |
| Net current assets | 18,784 | 43,340 | 72,258 | 107,855 |

We had net current assets of RMB18.8 million, RMB43.3 million and RMB72.3 million as of December 31, 2011, 2012 and 2013. We had net current assets of approximately RMB107.9 million as of April 30, 2014, being the latest practicable date for liquidity disclosure purposes. The key components of our current assets as of April 30, 2014 included other receivables and prepayments of RMB79.9 million, bank balances and cash of RMB76.2 million and amounts due from fellow subsidiaries of RMB77.1 million. As of the same date, the key components of our current liabilities included other payables and accruals of RMB81.9 million, receipts on behalf of residents of RMB118.7 million and tax liabilities of RMB46.9 million.

## DESCRIPTION OF CERTAIN ITEMS IN STATEMENTS OF FINANCIAL POSITION

### Inventories

Our inventories mainly consist of energy-saving light bulbs. As of December 31, 2011, 2012 and 2013, the value of our inventories was nil, RMB1.3 million and RMB0.2 million, respectively, representing approximately nil, 0.2% and 0.1% of our total current assets, respectively.

### Trade and Other Receivables and Prepayments

The table below sets forth a breakdown of our trade and other receivables and prepayments as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables | 9,421 | 20,486 | 41,868 |
| Retention receivables | 2,167 | 1,729 | 1,656 |
| Invoices to be issued(1)(2) | 5,931 | 8,776 | 14,668 |
| | 17,519 | 30,991 | 58,192 |
| Less: allowance for doubtful debts | — | — | (1,041) |
| **Total trade receivables** | **17,519** | **30,991** | **57,151** |
| Other receivables and prepayments: | | | |
| Deposits paid in relation to consultancy service arrangements(3) | — | — | 5,334 |
| Other deposits | 6,186 | 6,190 | 6,993 |
| Loan receivables(4) | — | 1,500 | — |
| Advance to a customer(5) | 5,752 | 5,252 | 1,752 |
| Advances to staff | 3,211 | 4,179 | 3,298 |
| Prepayments to suppliers | 2,550 | 2,594 | 7,227 |
| Prepayments for the acquisition of investment properties | 3,580 | 3,358 | — |
| Receivables from customers for residential and retail units rental assistance services received on behalf of Caizhijia | — | 53 | 2,077 |
| Other prepayments | 1,908 | 3,150 | 3,664 |
| Payments on behalf of residents under lump sum basis(6) | 5,460 | 8,765 | 5,366 |
| Payment on behalf of residents for residential communities under consultancy service arrangements(7) | — | — | 2,920 |
| Deferred listing expenses | — | — | 7,426 |
| Others | 121 | 1,841 | 2,616 |
| | **28,768** | **36,882** | **48,673** |
| | **46,287** | **67,873** | **105,824** |

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Classified as: | | | |
| — Non-current | | | |
| Trade receivables[8] | 7,092 | 9,416 | 7,585 |
| Other receivables and prepayments[9] | 8,832 | 8,110 | 5,334 |
| | **15,924** | **17,526** | **12,919** |
| — Current | | | |
| Trade receivables | 10,427 | 21,575 | 49,566 |
| Other receivables and prepayments | 19,936 | 28,772 | 43,339 |
| | **30,363** | **50,347** | **92,905** |
| | **46,287** | **67,873** | **105,824** |

Notes:

(1) For the customers of installation of energy-saving lighting systems, which are mainly the residential communities we manage or provide consultancy services to, we allow the customers to settle the installation fee over an interest-free period of 48 months. According to the agreements between us and the customers, the energy-saving systems are installed in these residential communities and we would bill the residential communities at the end of each month over the interest-free period. The unbilled installation revenue is discounted at an effective interest rate of 8.3%, 8.3% and 8.3% per annum in 2011, 2012 and 2013. Upon meeting the revenue recognition criteria, installation revenue recognized prior to the issuance of invoices is recognized as "invoices to be issued" in the consolidated statements of financial position.

(2) We entered into an agency service agreement for providing rental information to Caizhijia. According to the agreement, the 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 we will bill Caizhijia 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 will 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 online platform usage fees recognized prior to issuance of invoices are recognized in the consolidated statements of financial position as invoices to be issued.

(3) The balance represented the present value of RMB6.0 million deposit paid in relation to the consultancy service arrangements entered with a property management company. The deposit will be refunded to us in 2016, and the balance is recorded as a non-current deposit as of December 31, 2013.

(4) In January 2012, we entered into a loan agreement with Caizhijia for providing financing to Caizhijia for a period of 18 months from January 31, 2012 to July 31, 2013. According to the agreement entered between us and Caizhijia, the amount advanced to Caizhijia unsecured interest-bearing at 10% per annum over the financing period. The loan advanced to Caizhijia has been settled by Caizhijia in July 2013.

(5) In 2011, we advanced a sum of RMB5.7 million to a third-party customer under the engineering services segment. Our Directors expect the advance to be settled by May 2014. In May 2013, we entered a supplementary agreement with the customer, whereby RMB3.5 million out of the total advance due from the customer is unsecured and interest bearing of 0.52% per month for a twelve-month period commencing in May 2013. The remaining balance of RMB2.2 million is unsecured, interest-free and expected to be settled by the customer in May 2014. In 2012 and 2013, the customer had settled RMB0.5 million and RMB3.5 million, respectively.

(6) The balance represented the utility bills paid to the water supplies companies and electricity companies on behalf of the residents under lump sum basis. The payments on behalf of the residents are then recharged to the residents at rates pre-determined between the residents and us.

(7) The balance represented the amount paid on behalf of residential communities which are under the consultancy service arrangements. The management offices of residential communities under the consultancy services arrangement have no separate bank accounts because these management offices have no separate legal entity. In accordance with the consultancy services agreements, we would manage the treasury functions of these management offices, and all transactions of these management offices were settled through the treasury function of our entities.

(8) Trade receivables classified as non-current represented the following:

(a) Installation revenue to be billed after twelve months from the end of each of the reporting date on the trade receivables arisen from the installation of energy-saving lighting systems as mentioned in note 1 above.

(b) Income to be billed after twelve months from the end of each of the reporting date on the trade receivables arisen from the usage of rental information platform by Caizhijia as mentioned in note 2 above.

(c) The retention receivables arisen from engineering services whereby the Group expects the settlement from the customers will be made after twelve months from the end of each reporting period, based on the expiration of the retention period.

(9) Other receivables and prepayments classified as non-current represented the following:

(a) The prepayment for acquiring investment properties whereby the property ownership had not passed to us as of December 31, 2011 and 2012.

(b) An advance made to the customer described in note 5 above whereby we expected certain settlement from the customer will be made after twelve months from the end of 2011 and 2012.

(c) Deposit paid which will be refunded to us in 2016 in relation to the consultancy service arrangements entered with a property management company. The deposit is security for our counter-party, given that we manage the working capital from property management fees of the relevant communities through our treasury function.

### *Trade receivables*

Our trade receivables mainly arise from property management fees from property management services provided on a lump sum basis, repair and maintenance services income from engineering services, and service income from community leasing, sales and other services. The table below sets forth a breakdown of our trade receivables by business segments as of the dates indicated:

| | As of December 31 | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| **Continuing operations** | | | |
| Property management services | 3,012 | 8,424 | 8,328 |
| Engineering services | 3,328 | 5,134 | 15,207 |
| Community leasing, sales and other services (net of allowance for doubtful debts) | 2,687 | 6,928 | 17,918 |
| **Discontinued operations** | 394 | — | — |
| | **9,421** | **20,486** | **41,453** |

As of December 31, 2011, 2012 and 2013, trade receivables accounted for 2.2%, 3.5% and 11.1% of our total current assets.

Our trade receivables from property management services increased to RMB8.4 million as of December 31, 2012 from RMB3.0 million as of December 31, 2011, primarily due to an increase in the total revenue-bearing GFA under lump sum basis as a result of our business expansion. Our trade receivables from property management services remained relatively stable at RMB8.3 million as of December 31, 2013, primarily because the revenue-bearing GFA under lump sum basis remained stable.

Property management fees from property management services provided on a lump sum basis become due in accordance with the terms of the relevant property management contracts, 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 with good credit history. For more information on our measures to improve recoverability of our trade receivables, see "— Payments/Receipts on Behalf of Residents — Measures to improve recoverability of payments on behalf of residents." The credit term granted to our pre-sale services customers is approximately 30 to 90 days.

Our trade receivables from engineering services increased to RMB5.1 million as of December 31, 2012 from RMB3.3 million as of December 31, 2011, primarily due to an increase in trade receivables relating to our repair and maintenance services, which was in turn due to an increase in the number of such projects we undertook in the second half of 2012. Our trade receivables from engineering services increased to RMB15.2 million as of December 31, 2013 from RMB5.1 million as of December 31, 2012, primarily due to an increase in trade receivables relating to our repair and maintenance services, which was in turn due to an increase in the number of such projects we undertook in the second half of 2013, and our extension of credit periods granted to certain customers. All trade receivables relating to our repair and maintenance services from the first half of 2013 had been subsequently settled as of April 30, 2014.

Our trade receivables from community leasing, sales and other services increased to RMB6.9 million as of December 31, 2012 from RMB2.7 million as of December 31, 2011, primarily due to an increase in the provision of our community leasing, sales and other services. Our trade receivables from community leasing, sales and other services increased to RMB17.9 million as of December 31, 2013 from RMB6.9 million as of December 31, 2012, primarily due to (i) an increase in the provision of community leasing, sales and other services in general, and (ii) the longer credit periods for our residential and retail units rental and sales assistance services. Service income from community leasing, sales and other services are due for payment upon our issuance of demand note. For more information on the credit period we grant in relation to our residential and retail units rental assistance, see the section entitled "Business — Our Community Leasing, Sales and Other Services — Key Contracts relating to Our Community Leasing, Sales and Other Services — Contracts regarding residential and retail units rental and sales assistance."

The following is an aging analysis of trade receivables presented based on the invoice date at the end of each reporting period, which approximated the respective revenue recognition date, except for trade receivables from engineering services and trade receivables from Caizhijia, regarding which the invoice date represented the payment due date:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| 0 to 30 days | 5,366 | 9,043 | 8,553 |
| 31 to 90 days | 2,458 | 6,259 | 10,997 |
| 91 to 180 days | 814 | 2,345 | 9,296 |
| 181 to 365 days | 409 | 2,716 | 9,442 |
| Over one year | 374 | 123 | 3,165 |
| **Total** | **9,421** | **20,486** | **41,453** |

The general lengthening pattern of our trade receivables aging during the Track Record Period is mainly attributable to an increase in the portion of trade receivables arising from residential and retail units rental and sales assistance and energy-saving equipment installation services, which had longer credit terms. For further details about credit terms of such services, "Business — Our Community Leasing, Sales and Other Services — Key Contracts relating to Our Community Leasing, Sales and Other Services — Contracts regarding residential and retail units rental and sales assistance" and "Business — Our Engineering Services — Equipment Installation Services — Energy-saving equipment installation services."

Before accepting any new customer for our engineering services and community leasing, sales and other services, we assess the potential customer's credit quality and define credit rating limits for each customer. Those limits are reviewed on an annual basis.

In determining the recoverability of trade receivables, we consider any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. We do not provide impairment for those balances which are not past due. In determining the recoverability of trade receivables from our property management services segment, we estimate the recoverable amount of property management fees in each community we manage. After taking into account those communities' occupancy, their collection history and subsequent settlement, our Directors believe that our trade receivables from property management services are of good credit quality and no impairment allowance is considered necessary, and we did not make any impairment allowance with respect to trade receivables arising from property management services during the Track Record Period.

Out of our trade receivables of RMB41.9 million as of December 31, 2013, 54.2% was subsequently settled as of April 30, 2014. The table below sets forth the subsequent settlement status of our trade receivables from continuing operations as of April 30, 2014:

| | % trade receivables as of December 31, 2011 subsequently settled as of April 30, 2014 | % trade receivables as of December 31, 2012 subsequently settled as of April 30, 2014 | % trade receivables as of December 31, 2013 subsequently settled as of April 30, 2014 |
|---|---|---|---|
| Property management services | 100.0% | 97.4% | 44.0% |
| Engineering services | 99.5% | 97.2% | 78.9% |
| Community leasing, sales and other services | 96.1% | 81.3% | 38.4% |

### *Retention receivables*

Customers of our equipment installation engineering services typically retain an amount equal to 5% of the total payment as quality warranty, which is released to us upon the expiration of the typical two-year warranty period. Our retention receivables amounted to RMB2.2 million, RMB1.7 million and RMB1.7 million as of December 31, 2011, 2012 and 2013, respectively.

As of December 31, 2011, 2012 and 2013, retention receivables accounted for 0.5%, 0.3% and 0.4% of our total current assets. Out of our retention receivables of RMB1.7 million as of December 31, 2013, 70.6% was subsequently settled as of April 30, 2014.

***Invoices to be issued***

Our invoices to be issued represents receivables relating to (i) our rental and sales assistance services and (ii) energy-saving equipment installation revenue recognized upon meeting the revenue recognition criteria prior to issuance of invoices.

We entered into an agency service agreement for providing rental information to a third-party property agent, Caizhijia. According to the agency service agreement, the agency services we provide to Caizhijia each year will be determined and finalized between both parties by the end of the same year, and Caizhijia is required to settle the agency fees payable in six equal installments between July and December in the following year after we provide the rental information. Upon meeting the revenue recognition criteria, agency fees recognized prior to issuance of invoices are recognized in consolidated statements of financial position. In addition, we entered into an agreement to allow Caizhijia to use our online rental information platform. We will bill Caizhijia twelve months after the end of each reporting date on the trade receivables in relation to Caizhijia's usage of the online rental information platform. To the best of our Directors' knowledge, Caizhijia's business model is unique. We have extended a relatively long credit term to Caizhijia to help promote and support the development of its business with a view of fostering a mutually beneficial and long-term business relationship. Once Caizhijia's business stabilizes, we will re-evaluate the length of our credit term granted to Caizhijia. For more information about our cooperation with Caizjijia, please see the section entitled "Business — Key Contracts relating to Our Community Leasing, Sales and Other Services — Contracts regarding residential and retail units rental and sales assistance."

For customers of our energy-saving equipment installation services, which are mainly the residential communities we manage or provide consultancy services to, we allow customers to settle the installation fee over an interest-free period of 48 months. According to the agreement between us and the customer, the energy-saving systems are installed in these residential communities, and we would bill the residential communities at the end of each month over the interest-free period. Upon meeting the revenue recognition criteria, installation revenue recognized prior to issuance of invoices is recognized in the consolidated statements of financial position.

Our invoices to be issued increased to RMB8.8 million as of December 31, 2012 from RMB5.9 million as of December 31, 2011 primarily due to an increase in our provision of energy-saving equipment installation services for which revenue was recognized prior to the issuance of invoices. Our invoices to be issued increased to RMB14.7 million as of December 31, 2013 from RMB8.8 million as of December 31, 2012 due to increases in our provision of residential and retail units rental and sales assistance services and energy-saving equipment installation services for which revenue was recognized prior to the issuance of invoices. We also made an allowance for doubtful debts of RMB1.0 million for trade receivables – invoices to be issued in 2013, as explained in further detail below. As of December 31, 2011, 2012 and 2013, invoices to be issued accounted for 1.4%, 1.5% and 3.9% of our total current assets from continuing operation, respectively.

In determining the recoverability of trade receivables — invoices to be issued in relation to our energy-saving equipment installation services, our estimation of recoverability is with reference to the expected drop-out rate of the communities managed by us. If a community has terminated its property management contract with us, our Directors consider the relevant trade receivables invoices to be issued in relation to the installation work of energy-saving equipment may be uncollectible, and impairment allowance is provided accordingly. The following table sets forth allowances for doubtful debts as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Balance at beginning of the reporting period | — | — | — |
| Impairment losses recognized on receivables | — | — | 1,200 |
| Amounts written off as uncollectible | — | — | (159) |
| **Balance at end of the reporting period** | **—** | **—** | **1,041** |

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of nil, nil and RMB1.0 million as of December 31, 2011, 2012 and 2013, respectively. With reference to the historical experience of these receivables, the collection of these receivables may not be recoverable. We do not hold any collateral over these balances.

The following table sets forth our trade receivables (including trade receivables, retention receivables and invoices to be issued) turnover days for the periods indicated:

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| Trade receivables turnover days[(1)] | 41.3 | 56.5 | 89.5 |
| Trade receivables turnover days (from continuing operations)[(2)] | 42.7 | 57.6 | 89.5 |

Notes:

(1) Calculated as the trade receivables (including trade receivables, retention receivables and invoices to be issued) from continuing operations and discontinued operations at the end of the relevant period divided by revenue from continuing operations and discontinued operations in that relevant period, then multiplied by the number of days in the relevant period.

(2) Calculated as the trade receivables (including trade receivables, retention receivables and invoices to be issued) from continuing operations at the end of the relevant period divided by revenue from continuing operations in that relevant period, then multiplied by the number of days in the relevant period.

The trade receivables turnover days from our continuing operations increased from 42.7 days in 2011 to 57.6 days in 2012, due to:

- an increase in average trade receivables turnover days relating to our property management services from 11 days in 2011 to 20 days in 2012, primarily attributable to our increased provision of pre-sale services, which had a longer credit period of typically 30 to 90 days;
- an increase in average trade receivables turnover days relating to our engineering services from 18 days in 2011 to 26 days in 2012, primarily attributable to an increase in the number of repair and maintenance projects we undertook in the second half of 2012; and
- an increase in average trade receivables turnover days relating to our community leasing, sales and other services from 36 days in 2011 to 55 days in 2012, primarily attributable to the growth of our community leasing, sales and other services, especially in the last quarter of 2012 which also increased the trade receivables balance at the end of 2012.

The trade receivables turnover days from our continuing operations increased from 57.6 days in 2012 to 89.5 days in 2013, due to:

- an increase in average trade receivables turnover days relating to our property management services from 20 days in 2012 to 22 days in 2013;
- an increase of trade receivables turnover days relating to our engineering services from 26 days in 2012 to 72 days in 2013, primarily attributable to an increase in trade receivables relating to our repair and maintenance services, which was in turn due to an increase in the number of such projects we undertook in the second half of 2013, and our extension of credit periods granted to certain customers based on their good credit history; and
- an increase in average trade receivables turnover days relating to our community leasing, sales and other services from 55 days in 2012 to 103 days in 2013, primarily attributable to an increase in the proportion of trade receivables arising from residential and retail units rental and sales assistance, which had longer credit periods.

After considering the reasoning for the trade receivables turnover trends and the subsequent settlement status of our trade receivables, we believe that the recovery of our trade receivables is reasonable.

***Other receivables and prepayments***

Our other receivables and prepayments mainly represent (i) deposits paid to vendors of our community leasing, sales and other services, (ii) advances to staff for the purposes of settling small amount expenses with suppliers of our engineering services, which we believe is consistent with the industry practice, (iii) prepayments to suppliers primarily for our engineering business and our discontinued business, (iv) prepayments for the acquisition of investment properties, (v) payments on behalf of residents under lump sum basis, (vi) deposits paid in relation to consultancy service arrangements, (vii) payments on behalf of residents for residential communities under consultancy service arrangements, (viii) loan receivables, (ix) deferred listing expenses, and (x) other prepayments.

Our other receivables and prepayments increased to RMB36.9 million as of December 31, 2012 from RMB28.8 million as of December 31, 2011 primarily due to (i) an increase to loan receivables from nil to RMB1.5 million, (ii) an increase in payments on behalf of residents under lump sum basis from RMB5.5 million to RMB8.8 million due to the increase in our payment of the utility bills (including water and electricity) on behalf of residents under lump sum basis, and (iii) an increase in advances to staff from RMB3.2 million to RMB4.2 million.

Our other receivables and prepayments increased to RMB48.7 million as of December 31, 2013 from RMB36.9 million as of December 31, 2012 primarily due to (i) an increase in deferred listing expenses from nil to RMB7.4 million, (ii) an increase in prepayments to suppliers from RMB2.6 million to RMB7.2 million for equipment used in our equipment leasing program, and (iii) deposits paid in relation to consultancy service arrangements of RMB5.3 million in 2013.

Due to our consultancy services in 2013, we had payments on behalf of residents for residential communities under consultancy service arrangements of RMB2.9 million as of December 31, 2013 attributable to 11 residential communities, which had been subsequently settled as of April 30, 2014.

Payments on behalf of residents under lump sum basis represented the utility bills we paid on behalf of the residents of communities we manage on a lump sum basis to the water supply and power companies. The accounting records of the management offices of these communities form part of our financial results, and therefore payments on behalf of residents under lump sum basis form part of our other receivables and prepayments. The utility expenses relating to water and electricity consumed by such residents in their owned or leased units are not borne by us under the relevant property management contracts. We settle these bills first on behalf of the residents, and the payments on behalf of the residents are subsequently recharged to the residents at a rate pre-determined between us and the residents. With regard to water bills, residents are re-charged at cost. With regard to electricity bills, residents are recharged on a pro rata basis at a rate which takes into account (i) the amount of electricity used by the residents and (ii) the amount of electricity lost when electricity is routed through the communal transformer to each property unit. As of December 31, 2011, 2012 and 2013, payments on behalf of residents under lump sum basis amounted to RMB5.5 million, RMB8.8 million and RMB5.4 million, respectively. The table below sets forth the aging analysis of payments on behalf of residents under lump sum basis, based on the dates on which the utility bills were recharged to the residents, as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | **2011** | **2012** | **2013** |
| | **RMB'000** | **RMB'000** | **RMB'000** |
| 0 to 180 days | 5,436 | 8,594 | 5,130 |
| 181 to 365 days | 24 | 171 | 236 |
| **Total** | **5,460** | **8,765** | **5,366** |

During the Track Record Period, we did not have any loss due to providing property management services on a lump sum basis. Our related property management contracts are not "onerous contracts" under HKAS 37, which defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. As we were able to generate profit during the Track Record Period under those contracts, such contracts are not onerous contracts as defined under HKAS 37.

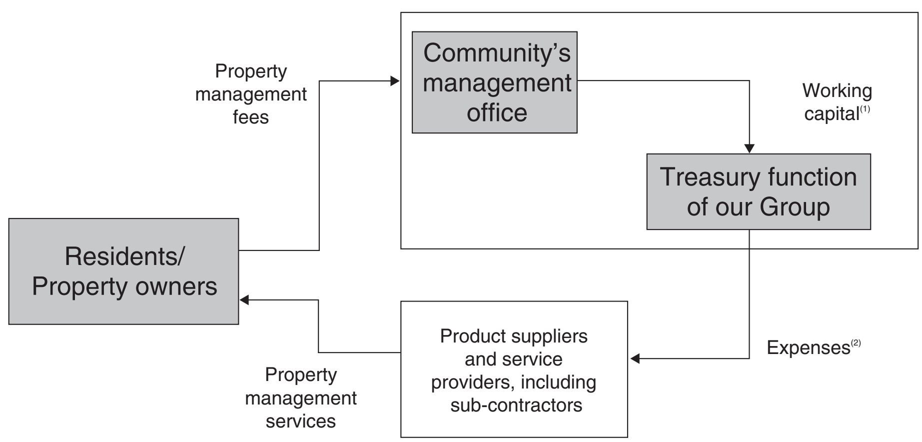
We have taken a number of measures in order to enhance timeliness of payment and collection rate of property management fees recoup our payments. For more information, see the section entitled "— Payments/Receipts on Behalf of Residents — Measures to improve recoverability of payments on behalf of residents."

As of April 30, 2014, all payments on behalf of residents under lump sum basis as of December 31, 2011 and 2012 had been settled, and 75.9% of payments on behalf of residents under lump sum basis as of December 31, 2013 had been settled. We do not believe that we will encounter material issues due to our contractual right to recover these receivables, and our historical recoverability.

### Payments/Receipts on Behalf of Residents

#### *Cash flow among residents, management offices and our Group*

When we manage communities on a commission basis, we essentially act as an agent of the property owners. Property management fees paid by the residents and property owners to the management offices are managed by our Group's treasury function. We receive a commission for managing these communities on a commission basis. After deducting our commission, the remainder is used as working capital to pay for products and services to manage the relevant communities. The diagram below sets forth the cash flow and service provision process among the residents, the management offices of the communities and the treasury function of our Group pursuant to a typical property management contract on a commission basis:




Notes:

(1) Working capital represents property management fees collected from property owners, plus the community's rental income from leasing out its common areas, less our commission (typically 10% of the management fees the property owners are obligated to pay).

(2) Expenses represent the costs the management office has incurred and paid through our treasury function to arrange for property management services, taking into account the recharge of expenses from our headquarters.

#### *Cash flow between residents and management offices*

**You are advised that information relating to financial performance of the management offices of communities we manage on a commission appearing in this subsection is for illustrative purposes only. The financial performance of the communities managed on a commission basis are not part of our Group's financial statements, and have not been audited or reviewed by the reporting accountants, Deloitte Touche Tohmatsu.**

The balance sheets of the management offices of the communities we managed on a commission basis with payments or receipts on behalf of residents as of December 31, 2011, 2012 and 2013 primarily consisted of the following line items:

- Trade receivables — residents — These represent the property management fees the residents or property owners owed to the management offices, and amounted to RMB17.9 million, RMB40.5 million and RMB94.7 million, as of December 31, 2011, 2012 and 2013, respectively;

- Account payables — These primarily represent salaries payable to staff at the relevant communities and amounts payable to utility companies for water and electricity used in common areas, and amounted to RMB33.4 million, RMB77.4 million and RMB104.5 million as of December 31, 2011, 2012 and 2013, respectively;

- Amounts due to Colour Life — These correspond to our Group's gross balance of payments on behalf of residents, and amounted to RMB23.9 million, RMB52.7 million and RMB56.5 million as of December 31, 2011, 2012 and 2013, respectively; and
- Amounts due from Colour Life — These correspond to our Group's receipts on behalf of residents, and amounted to RMB30.6 million, RMB77.7 million and RMB96.8 million as of December 31, 2011, 2012 and 2013, respectively.

***Financial performance of management offices***

To assess the financial performance of these management offices, we primarily evaluate their (i) trade receivables — residents, (ii) account payables, and (iii) profitability. Amounts due to Colour Life and amounts due from Colour Life correspond to the gross balance of our payments on behalf of residents and receipts on behalf of residents, respectively, which are analyzed in the paragraphs entitled "Cash flow between management offices and our Group" and "Receipts on behalf of residents" below.

*Trade receivables — residents*

Aging analysis and subsequent settlement of trade receivables — residents

Trade receivables — residents represent the property management fees the residents and property owners owe to the management offices. The following table sets forth the aging analysis of trade receivables — residents for the management offices of the communities managed on a commission basis as of the dates indicated:

| | As of December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | 2012 | | 2013 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| **Trade receivables — residents relating to management offices with payments on behalf of residents** | | | | | | |
| 0 to 180 days | 8,856 | 53.6 | 18,664 | 59.5 | 35,805 | 58.4 |
| 181 to 365 days | 3,492 | 21.1 | 7,992 | 25.4 | 16,079 | 26.2 |
| Over one year | 4,191 | 25.3 | 4,731 | 15.1 | 9,477 | 15.4 |
| **Sub-total** | **16,539** | **100.0** | **31,387** | **100.0** | **61,361** | **100.0** |
| **Trade receivables — residents relating to management offices with receipts on behalf of residents** | | | | | | |
| 0 to 180 days | 864 | 64.6 | 6,070 | 66.6 | 22,701 | 68.1 |
| 181 to 365 days | 388 | 29.0 | 1,749 | 19.2 | 9,046 | 27.1 |
| Over one year | 85 | 6.4 | 1,291 | 14.2 | 1,604 | 4.8 |
| **Sub-total** | **1,337** | **100.0** | **9,110** | **100.0** | **33,351** | **100.0** |
| **Total** | **17,876** | | **40,497** | | **94,712** | |

The total trade receivables — residents in relation to communities with payments or receipts on behalf of residents as of December 31, 2011, 2012 and 2013 which had been settled as of April 30, 2014 amounted to RMB16.6 million, RMB34.8 million and RMB41.0 million, respectively, or approximately 93%, 86% and 43% of the total trade receivables — residents in relation to communities with payments or receipts on behalf of residents as of the same dates, respectively. The unsettled amount of the trade receivables – residents as of December 31, 2011 and 2012 was RMB1.3 million and RMB5.7 million, respectively, amounting to an insignificant portion of the revenue of the relevant communities in 2011 and 2012, respectively. We consider the subsequent settlement of our trade receivables — residents as of December 31, 2013 reasonable based on our historical operating experience, and believe that the unsettled balance can be substantially recovered based on the subsequent settlement trend of historical balances up to April 30, 2014, our legal rights to recover such balance and our measures to improve collection of property management fees as described below.

Reasons leading to trade receivables — residents with aging over one year

Under relevant property management contracts, the property management fees should be paid on a monthly basis. Although we persistently seek to collect owed property management fees, we will consider using extraordinary collection means such as legal actions to collect trade receivables — residents with aging over one year.

The trade receivables — residents in relation to communities with payments or receipts on behalf of residents with aging over one year amounted to 23.9%, 14.9% and 11.7% of the total balance as of December 31, 2011, 2012 and 2013, respectively. Our management believes that such balances can be primarily attributable to inaccessibility of property owners. Many property units of the communities we manage are purchased by property owners for their own use or for lease to tenants. Although we seek to collect property management fees from residents and property owners, property owners are ultimately responsible for the payment as they are the contracting parties to the property management contracts. Property owners may be inaccessible through ordinary means for various reasons, such as changing their contact details without notifying us. The inaccessibility is particularly acute if the property owners are property investors from out-of-town. Such circumstances make our ordinary property management fee collection methods (such as home visits, text messages, emails or phone calls) less effective.

Whether the trade receivables — residents are due to the above-mentioned reason or other causes, we, as the manager of the relevant communities' management offices, are legally and contractually entitled to collect all owed property management fees from property owners, and have started taking legal collection actions in certain cases. Moreover, our PRC legal advisor has advised us that, under the relevant PRC laws and regulations, when a property unit is sold by the property owner, the property owner is required to settle all unpaid property management fees, further enhancing the certainty of their eventual payment. As such, we believe that a substantial portion of the outstanding trade receivables — residents can be eventually collected.

Measures to improve collection of property management fees

We, as the manager of the relevant communities' management offices, have adopted the following measures to improve the collection of property management fees. For property owners who are inaccessible to us, other than exhausting our ordinary collection methods, we would hire legal counsel to take legal action against the property owners to collect the outstanding payments. For other methods we have adopted, see the paragraph entitled "— Measures to improve recoverability of payments on behalf of residents" below.

We believe that the above-mentioned measures have helped improve the collection of property management fees as manifested in the following ways:

- The aging of trade receivables — residents had improved during the Track Record Period, with trade receivables — residents in relation to communities with payments or receipts on behalf of residents with aging over one year amounted to 23.9%, 14.9% and 11.7% of the total balance as of December 31, 2011, 2012 and 2013, respectively; and

- During the Track Record Period, we had taken legal actions to claim an aggregate of RMB2.7 million in overdue property management fees. As of April 30, 2014, approximately 90% of such amount had been paid, while legal proceedings were still ongoing regarding the remaining 10%.

*Account payables*

Management offices' account payables in relation to communities with payments or receipts on behalf of residents primarily represent salaries payable to staff at the relevant communities and amounts payable to utility companies for water and electricity used in common areas, and amounted to RMB33.4 million, RMB77.4 million and RMB104.5 million as of December 31, 2011, 2012 and 2013, respectively. As of December 31, 2011, 2012 and 2013, approximately 98.4%, 98.3% and 95.5% of our total account payables in relation to communities with payments or receipts on behalf of residents as of the same date had aging within one month, respectively.

Account payables by communities' management offices lead to eventual cash flows from the relevant management offices, and therefore may affect the recoverability of payments on behalf we have made for the relevant communities. As discussed below, however, we believe that during the Track Record Period, the account payables by communities' management office did not have material adverse effects on our ability to recover payments on behalf of residents from them. The table below sets forth the differences between account payables and trade receivables — residents relating to management offices with payments or receipts on behalf of residents as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | (RMB'000) | (RMB'000) | (RMB'000) |
| Account payables relating to management offices with payments on behalf of residents | 30,357 | 34,069 | 40,649 |
| Less: Trade receivables — residents relating to management offices with payments on behalf of residents | (16,539) | (31,387) | (61,361) |
| | **13,818** | **2,682** | **(20,712)** |
| Account payables relating to management offices with receipts on behalf of residents | 3,000 | 43,330 | 63,880 |
| Less: Trade receivables — residents relating to management offices with receipts on behalf of residents | (1,337) | (9,110) | (33,351) |
| | **1,663** | **34,220** | **30,529** |

As shown above, the balances of account payables and trade receivables – residents relating to management offices with payments on behalf of residents decreased from RMB13.8 million as of December 31, 2011 to RMB2.7 million as of December 31, 2012. We believe the differences are immaterial and reasonable when compared to the revenue generated by the relevant management offices. As of December 31, 2013, trade receivables – residents exceeded account payables relating to management offices with payments on behalf of residents by RMB20.7 million, indicating that as of the same date the management offices with payments on behalf of residents as a whole had an outstanding balance of property management fees due from residents that are sufficient to cover all account payables.

Regarding communities with receipts on behalf of residents, their account payables less trade receivables — residents of RMB1.7 million, RMB34.2 million and RMB30.5 million as of December 31, 2011, 2012 and 2013, respectively, can be covered by our receipts on behalf residents attributable to those communities as a whole, amounting to RMB30.6 million, RMB77.7 million and RMB96.8 million as of the same dates, respectively.

*Profitability of management offices*

In order to evaluate the financial performance of management offices of the communities we manage on a commission basis, we have also tracked the profitability of the management offices of all communities managed on a commission basis. There are 231 communities remaining under our management on a commission basis throughout the Track Record Period, and approximately 180 (representing approximately 78%) of them had shown consistent or enhanced profitability in 2013 when compared to 2011. Out of all the management offices of communities managed on a commission basis, an increasing percentage of them became profitable under our management during the Track Record Period. In addition, all these communities managed on a commission basis as a whole have achieved enhanced profit margins over the Track Record Period.

We believe that a key factor in such enhanced profitability is the implementation of our standardization, centralization and automation strategy. Through this strategy, we can make more efficient use of our own 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. We believe that this strategy helps mitigate the effects of rising costs in property management services. As of December 31, 2011, 2012 and 2013, we had an average headcount of 211, 142 and 121 employees per million sq.m. of contracted GFA we managed.

***Cash flow between management offices and our Group***

We use the working capital received from management offices to pay for products and services to manage the relevant communities. The amount of working capital and the expenses to arrange for property management services for each reporting period, however, do not always match, and such mismatch leads to either payments or receipts on behalf of residents, as explained in further detail below:

- As of the end of a reporting period, if the working capital of a management office accumulated in our treasury function is insufficient to cover the expenses the management office has incurred and paid through our treasury function to arrange for property management services at the relevant community, the shortfall is recognized as payments on behalf of residents. 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. According to China Index Academy, it is a common practice for property management companies in the PRC to make payments on behalf of residents with a view to recovering from the residents or property owners subsequently.
- As of the end of a reporting period, if the working capital of a management office accumulated in our treasury function exceeds the expenses the management office has incurred and paid through our treasury function to arrange for property management services at the relevant community, the excess is recognized as receipts on behalf of residents, which is to be used as working capital for future periods.

The table below sets forth our payments and receipts on behalf of residents of communities we manage on a commission basis and the number of corresponding communities as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| Payments on behalf of residents *(RMB'000)* | 19,702 | 46,089 | 43,966 |
| *Number of communities managed on a commission basis with net balance of payments on behalf of residents*[(1)] | *177* | *149* | *187* |
| Receipts on behalf of residents *(RMB'000)* | (30,607) | (77,700) | (96,804) |
| *Number of communities managed on a commission basis with balance of receipts on behalf of residents*[(1)] | *50* | *70* | *200* |

Note:

(1) Only communities with revenue-bearing GFA had payments or receipts on behalf of residents.

The accounting records of the management offices of these communities do not form part of our financial results. As a result, the payments and receipts on behalf of residents of communities managed on a commission basis are separately accounted for in our consolidated statements of financial position.

The table below sets forth the reconciliation of the opening and closing gross balances of payments and receipts on behalf of residents during the Track Record Period. Debit mainly represents expenses incurred and paid through our treasury function to arrange for property management services for the relevant communities and recharge of expenses from our headquarters. Credit mainly represents property management fees collected from residents and property owners (after deducting our commission) and the communities' rental income arising from leasing out their common areas.

| | Payments on behalf of residents | Receipts on behalf of residents |
|---|---|---|
| | RMB'000 | RMB'000 |
| Gross balance as of December 31, 2011 | 23,948 | (30,607) |
| *From January 1, 2012 to December 31, 2012:* | | |
| *Debit* | 328,869 | 70,557 |
| *Credit* | (300,089) | (117,650) |
| Gross balance as of December 31, 2012 | 52,728 | (77,700) |
| *From January 1, 2013 to December 31, 2013:* | | |
| *Debit* | 284,488 | 178,780 |
| *Credit* | (280,764) | (197,884) |
| Gross balance as of December 31, 2013 | 56,452 | (96,804) |

***Accounting treatment and cash handling procedures***

The management offices of communities managed by us on a commission basis do not have separate legal identities, and therefore we open bank accounts on behalf of or designate bank accounts to such management offices to help manage the property management fees. We will continue to do so for all communities we manage on a commission basis. Upon successful opening of bank accounts, a copy of each community's bank account opening permit, signature card, chop and seal will be kept as record within the treasury function of our Group. Their transactions, including collection of the property management fees and payments of the operational costs and expenditures, go through and are settled within the treasury function of our Group.

We use our Group's accounting system to delineate the amounts we hold on behalf of the residents of communities managed by us on a commission basis. The table below sets forth the accounting entry and our cash handling procedures for each of the cash flow steps illustrated in the diagram above:

| Cash flow transaction | Cash handling policy and internal control measures | Accounting entry on accounting records of management offices | Accounting entry on our Group's accounting records |
|---|---|---|---|
| Residents and property owners pay property management fees to the management offices | • Cash payments are deposited into the bank accounts opened on behalf of the management offices<br>• All cash payments are made through bank transfers, online payments or paid via our point-of-sale collection machines | Cash received from residents and property owners is recorded in:<br>• "bank/cash" debit entry(1); and<br>• "trade receivables — residents" credit entry | N/A |
| Transfer of cash from bank accounts opened on behalf of the management offices to our Group's central bank account | • If bank accounts are linked to our Group's central bank account, transfers are done automatically on a daily basis<br>• If bank accounts are not linked to our Group's central bank account, our headquarters' treasury department is authorized to regularly transfer money out of such bank accounts into our Group's central bank account<br>• Transferred cash (minus our commission) is recorded as working capital for communities<br>• Cash transfers are summarized in a report reviewed by a treasury manager at our treasury department | Cash transferred to the Group's central bank account is recorded in:<br>• "amount due from Colour Life" debit entry; and<br>• "bank/cash" credit entry<br><br>The pre-determined percentage of property management commission expense that the property owners are obliged to pay (10% under a typical contract) is recorded in:<br>• "expenses — commission payable to Colour Life" debit entry; and<br>• "amount due to Colour Life" credit entry | Cash transferred to the Group's central bank account is recorded in:<br>• "bank/cash" debit entry; and<br>• "amount due to community" credit entry<br><br>Our pre-determined percentage of property management commission revenue (10% under a typical contract) is recorded in:<br>• "amount due from community" debit entry; and<br>• "revenue — property management fees — commission basis" credit entry |

Note:

(1) We open individual bank accounts on behalf of some of the management offices. In addition, we designate certain bank accounts to the other management offices, and each of such designated bank accounts is shared by multiple management offices. For a management office which has a specific bank account opened on its behalf, cash received from residents and property owners is first debited to the bank account of its accounting records, underlying incoming payments to the specific bank account. For a management office which shares a designated bank account with other management offices, cash received from residents and property owners is first debited to the bank account of its accounting records, underlying the incoming payments to the shared designated bank account.

| Cash flow transaction | Cash handling policy and internal control measures | Accounting entry on accounting records of management offices | Accounting entry on our Group's accounting records |
|---|---|---|---|
| Payments we make to product suppliers and service providers, including sub-contractors on behalf of the communities | • Payments are made directly out of our Group's central bank account<br>• The amount paid is subtracted from the working capital of the respective communities<br>• We regularly check the bank balances of the cash deposit and request the community managers to provide reconciliation in order to clarify any discrepancies between our accounting system and management offices' cash registers<br>• Our treasury department reviews and processes every payment request, and our treasury department only makes payments after the corresponding payment requests have been properly authorized | Operational costs and expenses paid by our Group on behalf of the communities are recorded in:<br>• "cost/expenses" debit entry; and<br>• "amount due to Colour Life" credit entry | Operational costs and expenses paid by our Group on behalf of the communities are recorded in:<br>• "amount due from community" debit entry; and<br>• "bank/cash" credit entry |

Amounts due to and from communities represent cash movements between the management offices on the one hand and our Group's central bank account on the other hand. The net movement results are reflected in either payments on behalf of residents or receipts on behalf of residents.

***Categorization in relation to payments on behalf of residents***

To better analyze the recoverability of payments on behalf of residents, we have categorized the communities we managed on a commission basis into the following four categories:

| | Principal criteria for categorization |
|---|---|
| Type I | Communities for which we have terminated or plan to terminate the related property management contracts through non-renewal primarily because their performance does not meet our expectations to implement our automation strategy and provide community leasing, sales and other services to residents and property owners. The key performance indicators we evaluate include (i) whether we are able to generate revenue from community leasing, sales and other services, and (ii) whether the community's net income meets our projected income. In addition, we consider other factors such as our relationships with the property developers or the property owners' associations. |
| Type II | Communities which are in the pre-delivery stage. Although the management offices do not start receiving property management fees until the properties are delivered to owners, the management offices still incur expenses, which are paid through our treasury function, to arrange for property management services at the relevant communities. |
| Type III | Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities. |
| Type IV | Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents. |

***Allowance and provisioning policy for payments on behalf of residents***

When we prepare our financial statements, to assist our assessment of provisioning, we also perform an assessment on whether there is any objective evidence of impairment loss of payments on behalf of residents as of the end of each reporting period, taking into account the effects of any material subsequent development for each of the four types of communities. The table below sets forth allowances for doubtful debt for payments on behalf of residents as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| At the beginning of the year | 2,513 | 4,246 | 6,640 |
| Additional allowance for doubtful debt | 1,733 | 2,394 | 5,846 |
| **At the end of the year** | **4,246** | **6,640** | **12,486** |

For each of the four types of communities, to determine whether there is any objective evidence of impairment loss on payments on behalf of residents, we take into consideration a number of indicators, including, among others, (i) subsequent settlement status of payments on behalf of residents, (ii) historical write-off experience of payments on behalf of residents, (iii) the financial performance of the underlying communities (such as profitability trend, cash receipts from residents and property owners by the respective management offices during each reporting period, and cash payments to settle management offices' account payables), and (iv) future cash flows from the communities in order to assess the collectability of payments on behalf of residents. For a detailed discussion on the financial performance of the communities we manage on a commission basis, see the paragraph entitled "— Financial performance of management offices" above.

The application of this test to each of the four types of communities is explained in further details below:

- For each reporting period, we make specific allowance for payments on behalf of residents of Type I communities which we terminated the property management contracts with or which we plan to terminate property management contracts with. Based upon our management's evaluation of the collectability of the relevant receivables, our management makes allowance on the full amount of those receivables due from management offices of Type I communities because historical experience shows that these receivables from them may not be recoverable. For more information about our termination considerations with respect to Type I communities, see the section entitled "— Categorization in relation to payments on behalf of residents" above.

- For Type II communities, we do not make allowance for doubtful debt for payments on behalf of residents because the relevant property developers have good payment histories, as they have settled their payments with us on a timely basis, and based on our assessment they have good credit standing.

- For Type III communities, if we determine that there is no objective evidence of impairment after taking into account the indicators described above, we do not make allowance for doubtful debt for payments on behalf of residents because trade receivables — residents exceed payments on behalf of residents of the relevant communities and we believe we can collect the outstanding trade receivables — residents after taking into account (i) their subsequent settlement status, (ii) our legal rights to collect such outstanding amounts, and (iii) the legal requirement that owed property management fees must be settled before property units are sold.

- For each reporting period, we make allowance for payments on behalf of residents from management offices of Type IV communities on a collective basis, based on an evaluation of the collectability of the receivables from these management offices. After factoring in (i) the expected EBITDA of the relevant community for the next two years and (ii) the expected cost savings, such as labor cost reductions we anticipate to realize after a community receives our automation and other equipment upgrade services through our equipment leasing program, we do not make any allowance if we believe the payments on behalf of residents can be recovered within two years.

  We believe that the two-year threshold and the related assumptions are reasonable, taking into account the expected time required to realize our expected cost savings and historical experience relating to time required to recover payments on behalf of residents. In addition, our historical experience also supports this two-year threshold and the related assumptions. For instance, as of December 31, 2011, 2012 and 2013, we continued to provide property management services to 65, 84 and 136 residential communities and pure commercial properties, respectively, despite the relevant property management contracts had expired and either party may unilaterally terminate the work relationship. Those 64 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. For payments on behalf of residents that are estimated to be recovered after two years, we believe that receivables may not be fully recovered based on our best estimation with reference to our historical experience. Accordingly, we make allowance on a collective basis for payments on behalf of residents which we expect to recover after two years attributable to Type IV communities.

There were 60 Type IV communities as of December 31, 2013, and 29 of them had generated profit at the management office level in 2013. For these 60 Type IV communities, we expect that approximately 49% and 51% of their historical shortfalls will be recovered within two years and beyond two years, respectively. As of December 31, 2013, there were 31 Type IV communities which were generating losses at the management office level in 2013. The payments on behalf of residents attributable to these 31 Type IV communities amounted to RMB13.6 million as of December 31, 2013, which may be covered either through management fee increases or further cost reductions.

In general, we do not terminate Type IV communities through non-renewal of property management contracts solely because payments on behalf of residents attributable to them exceed their management offices' property management fee receivables due from residents, as there are other factors that are taken into account to make our termination decisions, including (i) community leasing, sales and other services revenue we are able to generate from such communities, (ii) opportunities for us to implement further cost reduction measures, and (iii) geographic strategic importance of those communities.

The table below sets forth the number of and the gross and net balances of payments on behalf of residents as of the dates indicated attributable to Types I, II, III and IV communities:

| | As of December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | 2012 | | | 2013 | | |
| | Number(1) | Gross balance | Net balance(2) | Number(1) | Gross balance | Net balance(2) | Number(1) | Gross balance | Net balance(2) |
| | | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | | RMB'000 | RMB'000 |
| Type I | 19 | 2,701 | — | 24 | 3,850 | — | 24 | 2,996 | — |
| Type II | 9 | 611 | 611 | 12 | 4,261 | 4,261 | 33 | 9,340 | 9,340 |
| Type III | 86 | 12,079 | 12,079 | 58 | 22,059 | 22,059 | 70 | 16,698 | 16,698 |
| Type IV | 63 | 8,557 | 7,012 | 55 | 22,558 | 19,769 | 60 | 27,418 | 17,928 |
| **Total** | **177** | **23,948** | **19,702** | **149** | **52,728** | **46,089** | **187** | **56,452** | **43,966** |

Notes:

(1) Only communities with revenue-bearing GFA had payments on behalf of residents.

(2) Net balance equals gross balance net of provision.

The table below illustrates how Types I, II, III and IV communities as of December 31, 2011 were categorized as of December 31, 2012:

| | Categorization as of December 31, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Communities with nil balance of payments or receipts on behalf of residents | Communities with receipts on behalf of residents | Type I communities | Type II communities | Type III communities | Type IV communities | Total |
| Type I communities as of December 31, 2011 . . . . | — | — | 19 | — | — | — | 19[(1)] |
| Type II communities as of December 31, 2011 . . . | 5 | 1 | — | 3 | — | — | 9[(2)] |
| Type III communities as of December 31, 2011 . . . | 5 | 38 | — | — | 43 | — | 86[(3)] |
| Type IV communities as of December 31, 2011 . . | 13 | 5 | — | — | — | 45 | 63[(4)] |
| | | | | | | | 177[(5)] |

Notes:

(1) There were 24 Type I communities as of December 31, 2012, consisting of (i) 19 Type I communities as of December 31, 2011, (ii) one community with nil balance of payments or receipts on behalf of residents as of December 31, 2011 and (iii) four communities which newly came under our management in 2012.

(2) There were 12 Type II communities as of December 31, 2012, consisting of (i) three Type II communities as of December 31, 2011, (ii) two communities with receipts on behalf of residents as of December 31, 2011 and (iii) seven communities which newly came under our management in 2012.

(3) There were 58 Type III communities as of December 31, 2012, consisting of (i) 43 Type III communities as of December 31, 2011, (ii) five communities with receipts on behalf of residents as of December 31, 2011 and (iii) 10 communities which newly came under our management in 2012.

(4) There were 55 Type IV communities as of December 31, 2012, consisting of (i) 45 Type IV communities as of December 31, 2011, (ii) four communities with receipts on behalf of residents as of December 31, 2011 and (iii) six communities which newly came under our management in 2012.

(5) Only communities with revenue-bearing GFA had payments or receipts on behalf of residents.

As illustrated in the table above, all 19 Type I communities as of December 31, 2011 remained as Type I communities as of December 31, 2012. Out of the nine Type II communities as of December 31, 2011, (i) five became communities with nil balance of payments or receipts on behalf of residents, (ii) one became a community with receipts on behalf of residents and (iii) three remained as Type II communities as of December 31, 2012. Out of the 86 Type III communities, (i) five improved to communities with nil balance of payments or receipts on behalf of residents, (ii) 38 improved to communities with receipts on behalf of residents and (iii) 43 remained as Type III communities as of December 31, 2012. Out of the 63 Type IV communities as of December 31, 2011, (i) 13 improved to communities with nil balance of payments or receipts on behalf of residents, (ii) five improved to communities with receipts on behalf of residents and (iii) 45 remained as Type IV communities as of December 31, 2012.

The table below illustrates how Types I, II, III and IV communities as of December 31, 2012 were categorized as of December 31, 2013:

| | Categorization as of December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Communities with nil balance of payments or receipts on behalf of residents | Communities with receipts on behalf of residents | Type I communities | Type II communities | Type III communities | Type IV communities | Total |
| Type I communities as of December 31, 2012 . . . | — | — | 24 | — | — | — | 24[1] |
| Type II communities as of December 31, 2012 . . . | 3 | 2 | — | 6 | 1 | — | 12[2] |
| Type III communities as of December 31, 2012 . . . | 7 | 27 | — | — | 21 | 3 | 58[3] |
| Type IV communities as of December 31, 2012. . | 3 | 10 | — | — | 14 | 28 | 55[4] |
| | | | | | | | **149**[5] |

Notes:

(1) There were 24 Type I communities as of December 31, 2013, all of which were Type I communities as of December 31, 2012.

(2) There were 33 Type II communities as of December 31, 2013, consisting of (i) six type II communities as of December 31, 2012, (ii) three communities with receipts on behalf of residents as of December 31, 2012, (iii) six communities with nil balance of payments or receipts on behalf of residents as of December 31, 2012 and (iv) 18 communities which newly came under our management in 2013.

(3) There were 70 Type III communities as of December 31, 2013, consisting of (i) 21 Type III communities as of December 31, 2012, (ii) one Type II community as of December 31, 2012, (iii) 14 Type IV communities as of December 31, 2012, (iv) five communities with receipts on behalf of residents as of December 31, 2012, (v) one community with nil balance of payments or receipts on behalf of residents as of December 31, 2012 and (vi) 28 communities which newly came under our management in 2013.

(4) There were 60 Type IV communities as of December 31, 2013, consisting of (i) 28 Type IV communities as of December 31, 2012, (ii) three Type III communities as of December 31, 2012, (iii) three communities with receipts on behalf of residents as of December 31, 2012, (iv) five communities with nil balance of payments or receipts on behalf of residents as of December 31, 2012 and (v) 21 communities which newly came under our management in 2013.

(5) Only communities with revenue-bearing GFA had payments or receipts on behalf of residents.

As illustrated in the table above, all 24 Type I communities as of December 31, 2012 remained as Type I communities as of December 31, 2013. Out of the 12 Type II communities as of December 31, 2012, (i) three became communities with nil balance of payments or receipts on behalf of residents, (ii) two became communities with receipts on behalf of residents, (iii) six remained as Type II communities and (iv) one became a Type III communities as of December 31, 2013. Out of the 58 Type III communities as of December 31, 2012, (i) seven improved to communities with nil balance of payments or receipts on behalf of residents, (ii) 27 improved to communities with receipts on behalf of residents, (iii) 21 remained as Type III communities and (iv) three deteriorated to Type IV communities as of December 31, 2013. Out of the 55 Type IV communities as of December 31, 2012, (i) three improved to communities with nil balance of payments or receipts on behalf of residents, (ii) 10 improved to communities with receipts on behalf of residents, (iii) 14 improved to Type III communities and (iv) 28 remained as Type IV communities as of December 31, 2013.

Our Directors believe that our current credit control measures are effective and adequate based on the following:

- We recorded net cash from operating activities during the Track Record Period, and did not encounter liquidity shortage during the Track Record Period which would require our Group to tighten or improve our credit control measures; and
- We have engaged an internal control consultant to review our internal controls with a view to strengthening them, including our credit control measures, and we have implemented all the recommended measures.

We believe that adequate allowance for doubtful debt has been provided for payments on behalf of residents based on our best assessment to determine whether the management offices have the ability to settle the payables due to our Group. Based on the foregoing and taking into consideration the analysis made on the management offices as set forth in the paragraph entitled "— Financial performance of management offices" above, our Directors believe that the above-mentioned provisioning policy is reasonable and our provisions during the Track Record Period were adequate.

***Measures to improve recoverability of payments on behalf of residents***

In order to enhance the timeliness of payment of property management and other fees and expenses owed to the management offices or us, we have begun to adopt the following measures at an increasing number of communities since early 2013:

- We have made collection rate a criterion in evaluating our on-site managers' performance, and their salaries are tied to the evaluation results.
- We persistently contact residents and property owners with outstanding property management fees via home visits, text messages, emails or phone calls. If such measures do not suffice, we would hire legal counsel to take legal action against the property owners to recover the outstanding payments.
- We have made available electronic payment methods such as payment through mobile applications and bank transfers for certain communities. Residents and property owners can also swipe their credit or debit cards at our on-site management offices for certain communities to pay for property management fees.
- We have made remote payments available for property owners who live in other cities.
- We have monthly meetings to review the effectiveness of our collection methods and discuss any further measures to further improve our collection rate.

We have also taken measures to reduce costs. The reduction in expenses incurred to arrange for property management services, coupled with the above-mentioned measures to improve timeliness of payments of property management and other fees and expenses, help reduce payments on behalf of residents. Our cost reduction measures include the implementation of our automation and other equipment upgrades through our equipment leasing program since the second half of 2012. For more information, see the section entitled "Business — Our Engineering Services — Equipment Leasing." During the Track Record Period, we adopted automation and other equipment upgrades which we believe have generally improved the profitability of the upgraded communities and in turn help us reduce payments on behalf of residents attributable to those communities. Although the communities need to make equipment lease payments, we believe that if the equipment leasing program is implemented, our analysis of the profitability of communities' management offices before and after the completion of such updates, which has accounted for the equipment lease payments, indicates that the financial performance of substantially all of communities under our equipment leasing program as a whole has improved. 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 accounts 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 equipment leasing program. Moreover, through automation and other equipment upgrades, we expect to reduce the underlying communities' operating costs such as the labor costs through replacing manpower with the appropriate equipment. Therefore, for the upgraded communities, we believe that the equipment leasing program will result in cost savings which at the minimum can offset their equipment lease payments to our Group. We plan to provide the automation and other equipment upgrades to approximately an additional 320 communities we manage in 2014 and 2015, with a view to prioritizing Type IV communities.

Our cost reduction measures through automation and other equipment upgrades have not compromised our service quality. Before and after the implementation of our cost reduction measures, we follow the same set of internal standards and industry-wide protocols concerning service quality, including, for example, the Standards for Normal Residential Communities Property Management Service Levels (《普通住宅社區物業管理服務等級標準》) published by the industry association, China Property Management Institute, which detail the service standards for multiple aspects of property management services. Furthermore, we periodically survey residents of the communities we manage via telephone. Such surveys are based on our internal methodology and designed to evaluate residents' satisfaction with various aspects of our services, including their overall impression, our employees' performance, cleanliness of the communities, gardening, security, vehicle management, repair and maintenance of public areas and private units, utilities supply, elevators, community activities, residential and retail units rental and sales assistance and delivery assistance. Our satisfaction rates remained stable within the range of 67% and 79% based on the results of our internal scaling system and did not show a deteriorating trend during the Track Record Period.

Following the implementation of the above-mentioned measures, our Directors believe that the recoverability of payments on behalf of residents has improved, based on improved operational performance of the communities. We prepare budgets at the beginning of the year for each community we manage as of the last year end. Among the communities which have implemented the additional measures, an increased percentage of those communities were able to meet our budget goals for 2013, as compared with 2012. Furthermore, a majority of such communities had an improved cash position for 2013 as compared with 2012.

We believe that the combined effects of our measures to improve recoverability of payments on behalf of residents and measures to reduce costs help us maintain our sustainability and profitability going forward.

***Sustainability of our business model***

Despite our payments on behalf of residents, we believe that our business model is sustainable, considering the following factors:

- According to China Index Academy, it is a common practice for property management companies in the PRC to make payments on behalf of residents with a view to recovering from the residents or property owners subsequently;
- During the Track Record Period, there was no material non-payment of property management fees by the residents or property owners of the communities we managed, by analyzing the outstanding balance of trade receivables — residents as a percentage of the total revenue of the communities we managed on a commission basis and taking into account subsequent settlements;
- The aging of trade receivables — residents has improved over the Track Record Period. As of December 31, 2011, 2012 and 2013, trade receivables — residents in relation to communities with payments or receipts on behalf of residents with aging under one year accounted for 76.1%, 85.1% and 88.3% of the total outstanding trade receivables — residents as of the same dates, respectively;
- The total trade receivables — residents as of December 31, 2011, 2012 and 2013 which had been settled as of April 30, 2014 amounted to 93.0%, 86.0% and 43.2% of the total trade receivables — residents as of the same dates, respectively. We consider such subsequent settlement status reasonable based on our historical operating experience.
- As of December 31, 2013, all of the Types II, III and IV communities had trade receivables – residents exceeding account payables, as set forth in the table below:

| | As of December 31, | | |
|---|---|---|---|
| | **2011** | **2012** | **2013** |
| | **(RMB'000)** | **(RMB'000)** | **(RMB'000)** |
| Type I | N/A[(1)] | N/A[(1)] | N/A[(1)] |
| Type II | (557) | (3,069) | (4,347) |
| Type III | 11,654 | (2,623) | (14,770) |
| Type IV | 2,721 | 8,374 | (1,595) |
| **Total account payables less trade receivables — residents** | **13,818** | **2,682** | **(20,712)** |

Note:

(1) Not applicable as the Company has made specific allowance for the full amount of payments on behalf of residents attributable to Type I communities.

- Our provisioning policy makes adequate impairments based on our best assessment to determine whether the relevant management offices had the ability to settle their payables due to our Group;
- We have begun to implement measures to improve recoverability of payments on behalf of residents and measures to reduce costs without compromising our service quality;
- We were able to manage our employee headcount to mitigate the effects of rising labor costs. 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 PRC property management companies according to China Index Academy; and

- Out of there are 231 communities remaining under our management on a commission basis throughout the Track Record Period, 180 (representing approximately 78%) of them had shown consistent or enhanced profitability in 2013 when compared to 2011. In addition, out of all the management offices of communities managed on a commission basis, an increasing percentage of them became profitable under our management during the Track Record Period, and all these communities managed on a commission basis as a whole have achieved enhanced profit margins over the Track Record Period.

In addition, we believe that by providing property management services we are able to offer community leasing, sales and other services to residents and property owners. In 2011, 2012 and 2013, our community leasing, sales and other services had gross profit margins of 82.3%, 94.1% and 98.4%, respectively, which in turn helped raise our overall gross profit margins. Our net profit margins have been growing and amounted to 16.0% and 22.8% in 2011 and 2012, respectively, which are higher than the average net profit margins realized by the top 100 property managing companies of 7.4% and 8.0% in those 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[(1)]. According to China Index Academy, the diversification into community leasing, sales and other services is in line with the top 100 property management companies' efforts to further develop community leasing, sales and other services with a view to increasing profitability and securing sustainable growth. See the section entitled "Industry Overview — Property Management Industry in the PRC — Overview of the PRC Property Management Industry — Profitability of the PRC property management companies" for more details.

Based on the foregoing, our Directors believe that the recoverability of our payments on behalf of residents did not have a material adverse effect on our business, financial position and results of operations during the Track Record Period.

***Onerous contracts***

HKAS 37 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Our property management contracts to manage residential communities on a commission basis are not material onerous contracts for the following reasons:

- Before a property management contract is terminated, we may continue to incur payments on behalf of residents for the community's daily operations under the property management contract and these future payments on behalf of residents may not be fully recovered subsequently. At the end of each financial period, we evaluate the historical and projected performance for each community under management during the remaining contract period, and assess the potential exposure of future payment on behalf of residents that may be unrecoverable. As of December 31, 2011,

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.

2012 and 2013, in relation to the communities managed on a commission basis, such exposure was estimated to be less than RMB0.9 million, RMB0.7 million and RMB0.1 million, respectively, in relation to four, four and seven communities, respectively, with an average remaining contract period of approximately 23, 17 and seven months, respectively. Therefore, we believe that the amount of potential unrecoverable receivables is not material.

- In addition, payments on behalf of residents in relation to property management contracts managed under commission basis are ultimately not the Company's liabilities or obligations, given, as confirmed by our PRC legal advisor, that we have the legal right to request the property owners to make up for 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).

***Receipts on behalf of residents***

Due to the working capital of management offices accumulated in our treasury function exceeding the expenses the management offices had incurred and paid through our treasury function to arrange for property management services at the relevant communities we managed on a commission basis, receipts on behalf of residents amounted to RMB30.6 million, RMB77.7 million and RMB96.8 million as of December 31, 2011, 2012 and 2013, respectively. We are touse such balances to arrange for property management services in subsequent period at the relevant communities. The continuous increase in our receipts on behalf of residents during the Track Record Period was primarily due to the increase in our revenue-bearing GFA as a result of our business expansion.

**Amounts Due from/(to) Customers for Contract Work**

Amounts due from/(to) customers for contract work arise from providing equipment installation services under our engineering services segment. The table below sets forth amounts due from/(to) customers for contract work as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Contract costs incurred plus recognized profits less recognized losses | 98,131 | 123,275 | 133,956 |
| Less: Progress billing | (61,623) | (78,142) | (92,848) |
| | 36,508 | 45,133 | 41,108 |
| Represented by: | | | |
| Amounts due from customers for contract work within one year | 38,510 | 45,749 | 43,892 |
| Amounts due to customers for contract work within one year | (2,002) | (616) | (2,784) |
| **Net amounts due from customers for contract work** | **36,508** | **45,133** | **41,108** |

The main customers of our equipment installation engineering services are property developers. Our revenue from our equipment installation engineering services is recognized in the period when services are rendered, which complies with the relevant accounting policies on the basis that when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized in the accounting periods in which the services are rendered. In general, property developers are required to pay us upon stage completion and project completion. Typically, we charge 70% of our earned but unpaid services fees at each stage of completion. The credit term for such fees is normally within 30 to 90 days from issuance of payment requests. In general, the remaining 25% of the total payment to us under the service contract is paid within six months after the project completion. Normally an amount equal to 5% of the total payment to us under the service contract is retained by our customer as quality warranty and will be released after the warranty period expires, which is typically two years after the completion of the relevant project. Such balances are recorded as retention receivables. See the section entitled "— Trade and Other Receivables and Prepayments — Retention receivables."

Our net amounts due from customers for contract work increased to RMB45.1 million as of December 31, 2012 from RMB36.5 million as of December 31, 2011 primarily due to an increase in our provision of engineering services during the second half of 2012. Our net amounts due from customers for contract work decreased to RMB41.1 million as of December 31, 2013 from RMB45.1 million as of December 31, 2012 primarily due to the decrease of revenue generated from engineering services in 2013.

Out of our net amounts due from customers for contract work of RMB41.1 million as of December 31, 2013, approximately 23.0% was subsequently billed to customers as of April 30, 2014.

***Amounts due from/to fellow subsidiaries***

Amounts due from/to fellow subsidiaries primarily arise from the receivables and payables from/to certain entities of Fantasia Group carried by Yahao Technology and its subsidiaries related to the discontinued property development operation. After the disposal of certain subsidiaries of Yahao Technology through several disposal transactions in 2011 and the disposal of Yahao Technology in April 2013, the amounts due from/to fellow subsidiaries decreased as of each of the dates ended December 31, 2011, 2012 and 2013.

The table below sets forth our amounts due from fellow subsidiaries as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| **Current assets** | | | |
| Non-trading nature | 297,415 | 324,144 | 29,377 |
| Trading nature | 4,731 | 6,706 | 2,776 |
| | **302,146** | **330,850** | **32,153** |

The amounts due from fellow subsidiaries, which are non-trading related, will be fully settled before the Listing.

The following table sets forth an aging analysis of the trade amounts due from fellow subsidiaries:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| 0 to 30 days | 1,901 | 1,472 | 669 |
| 31 to 90 days | 1,345 | 1,000 | 922 |
| 91 to 180 days | 866 | 2,125 | — |
| 181 to 365 days | 595 | 307 | 646 |
| Over one year | 24 | 1,802 | 539 |
| **Total** | **4,731** | **6,706** | **2,776** |

***Amount due to immediate holding company***

As of December 31, 2011, 2012 and 2013, amount due to immediate holding company was RMB3.1 million, RMB3.3 million and RMB1.4 million, respectively, primarily due to liabilities arising from our restructuring.

***Financial assets classified as fair value through profit or loss***

As of December 31, 2011, 2012 and 2013, our financial assets classified as fair value through profit or loss was nil, RMB42.2 million and nil, respectively. The amount of RMB42.2 million as of December 31, 2012 arose from our entry into several structured deposit contracts with banks. The returns and principals were not guaranteed by the relevant banks and the rate of return would be determined by reference to the performance of certain PRC government debt instruments and treasury notes. The expected rate of return ranges from 2.3% to 4.4% per annum as stated in the relevant contracts as of December 31, 2012, which are higher than our bank balance's interest rate, ranging from 0.5% to 1.5% during the Track Record Period. Under the above mentioned contracts, interest arising from the structured deposits would be paid on quarterly basis.

In 2011, 2012 and 2013, the actual returns of these structured deposits, or the fair value gains on these financial assets, were nil, RMB0.6 million and RMB1.4 million, respectively, which were recognized under other income as "investment income of financial assets classified as FVTPL" in our consolidated statements of financial position. The actual returns of the structured deposits approximated the expected return as stated in the contracts.

For the valuation of structured deposits classified as financial assets designated at FVTPL, the valuation is by reference to the discounted cash flows based on the expected yields of the debt instruments and treasury notes invested by banks discounted by the expected credit risk of the banks. Our Directors consider that the impact of the fluctuations in expected yields of the debt instruments to the fair value of the structured deposits would be insignificant as the structured deposits had short maturities. Therefore, in the opinion of our Directors, the fair value of the structured deposits as of December 31, 2012 approximated their principal amounts. All of the structured deposits we held as of December 31, 2012 and acquired in 2013 have been settled at their principal amounts together with returns which approximated the expected return.

During the Track Record Period and up to the Latest Practicable Date, the management and monitoring of the Group's treasury and investment activities were handled by our chief executive officer and chief financial officer, who reviewed the Group's cash position and investment assets on a monthly basis. For information regarding the qualifications and experiences of our chief executive officer and chief financial officer, see the section entitled "Directors, Senior Management and Employees — Directors — Executive Directors."

According to our treasury and investment policies, we plan to continue to invest some of our surplus funds, which are amounts in excess of our forecast cash flow requirements, in investment instruments that contain low risks and offer higher rates of return than bank deposits. Our treasury department is responsible for reviewing different proposals to identify investment products with the appropriate levels of expected returns and risks, and those proposals will be implemented after final review and approval by our chief executive officer and chief financial officer, in an effort to mitigate any potential impact due to unforeseen risks that may arise in financial environment at the relevant time. Each proposed transaction shall not carry a value more than RMB10.0 million. The risk levels of different investment products are among the main criteria our treasury department takes into account when investment products are evaluated. We typically analyze and then divide investment products into five risk levels: level 1 (principle protected), level 2 (low risk), level 3 (comparably low risk), level 4 (medium risk) and level 5 (high risk). We typically only invest in investment products with risk level 1 or 2 where such investment products have a satisfying rate of return and with clear and flexible exit options. Before suitable investment products are identified, we may seek to preserve the capital value of our Company's cash assets by placing the same in bank deposits. Our chief executive officer and chief financial officer will continue to review our Group's cash position and investment assets on a monthly basis, and our chief financial officers will continue to manage our treasury and investment operations and monitor our day-to-day cash management activities.

### Trade and Other Payables and Accruals

The table below sets forth a breakdown of our trade and other payables and accruals as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Trade payables | 16,036 | 21,444 | 20,851 |
| Other payables: | | | |
| Receipts on behalf of residents under lump sum basis[(1)] | 6,302 | 11,919 | 6,478 |
| Receipts on behalf of residents for residential communities under consultancy services arrangements[(2)] | — | — | 3,327 |
| Consideration payable related to acquisition of subsidiaries[(3)] | 600 | 2,456 | — |
| Accrued listing expenses | — | — | 20,972 |
| Advance from customers | 2,457 | 3,686 | 11,416 |
| Deposits received | 5,841 | 6,452 | 15,314 |
| Other taxes payable | 7,021 | 10,828 | 13,104 |
| Rental payable | 2,345 | 1,550 | 1,399 |
| Accrued staff costs | 4,955 | 5,227 | 8,804 |
| Provision for retirement benefit contributions | 3,792 | 5,445 | 7,947 |
| Other payables and accruals | 1,099 | 1,727 | 4,626 |
| | 34,412 | 49,290 | 93,387 |
| **Total** | **50,448** | **70,734** | **114,238** |

Notes:

(1) These balances represented the amounts received in advance from residents of communities we manage on a lump sum basis, which we subsequently pay to water supply and electricity companies to help the residents settle their utility expenses relating to water and electricity consumed by such residents in their owned or leased units. Such expenses are not borne by us under the relevant property management contracts. The accounting records of the management offices of these communities form part of our financial results, and therefore receipts on behalf of residents under lump sum basis form part of our trade and other payables and accruals.

(2) These balances represented the receipts on behalf of residents in relation to communities which we managed on a commission basis through consultancy arrangements.

(3) These amounts were interest-free, unsecured and repayable on demand, and had been fully settled by December 31, 2013.

Our trade payables mainly represent payables arising from our discontinued operations as well as payables to sub-contractors of our engineering services. Our trade payables increased to RMB21.4 million as of December 31, 2012 from RMB16.0 million as of December 31, 2011 primarily due to an increase in the amount of engineering services transactions during the second half of 2012 and the growth of our property management services business. Our trade payables decreased to RMB20.9 million as of December 31, 2013 from RMB21.4 million as of December 31, 2012 primarily due to a decrease in the amount of engineering services transactions in 2013.

The following table sets forth our trade payables turnover days for the periods indicated:

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2011** | **2012** | **2013** |
| Trade payables turnover days[1] | 70.1 | 74.3 | 85.1 |
| Trade payables turnover days (from continuing operations)[2] | 73.3 | 76.5 | 85.1 |

Notes:

(1) Calculated as the trade payables from continuing operations and discontinued operations of the relevant period divided by cost of sales from continuing operations and discontinued operations in that relevant period, then multiplied by the number of days in the relevant period.

(2) Calculated as the trade payables from continuing operations at the end of the relevant period divided by cost of sales from continuing operations in that relevant period, then multiplied by the number of days in the relevant period.

Our trade payables turnover days from our continuing operations increased from 2011 to 2012 and further to 2013 primarily due to our centralized procurement policy, which gave us more leverage to seek longer credit terms from certain suppliers. The sub-contractors of our property management and engineering services generally grant us a credit period ranging from 30 to 60 days.

The table below sets forth an aging analysis of our trade payables as of the dates indicated, based on invoice dates:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| 0 – 60 days | 11,732 | 13,626 | 13,923 |
| 61 – 180 days | 1,998 | 3,385 | 2,439 |
| 181 – 365 days | 1,561 | 2,352 | 2,806 |
| Over one year | 745 | 2,081 | 1,683 |
| | **16,036** | **21,444** | **20,851** |

Our other payables mainly consist of receipts on behalf of residents under lump sum basis, deposits received and other taxes payable. Our other payables increased to RMB49.3 million as of December 31, 2012 from RMB34.4 million as of December 31, 2011 primarily due to (i) an increase in receipts on behalf of residents under lump sum basis because of increased amounts received from residents ahead of payments to utility companies, (ii) an increase in consideration payable related to acquisition of subsidiaries due to increased acquisition activities in 2012, and (iii) an increase in other tax payable due to our increase in business scale. Our other payables increased to RMB93.4 million as of December 31, 2013 from RMB49.3 million as of December 31, 2012 primarily due to increases in accrued listing expenses, deposits received with increasing number of communities we manage, and advance from customers mainly from newly accepted engineering projects to be commenced in 2014.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

During the Track Record Period, our liquidity requirements arose principally from meeting our working capital requirements. During the Track Record Period, our principal sources of funds to finance our working capital, capital expenditure and other capital requirements were internally generated cash flows and bank loans.

### Cash Flow

The table below summarizes our consolidated cash flow statement for the periods indicated:

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Net cash from operating activities | 59,494 | 58,296 | 44,595 |
| Net cash (used in)/from investing activities | (487,546) | (133,871) | 363,410 |
| Net cash from/(used in) financing activities | 270,313 | 69,898 | (286,872) |
| **Net (decrease)/increase in cash and cash equivalents** | **(157,739)** | **(5,677)** | **121,133** |
| Cash and cash equivalents at the beginning of the year | 188,396 | 30,657 | 24,980 |
| **Cash and cash equivalents at the end of the year** | **30,657** | **24,980** | **146,113** |

***Net cash from operating activities***

In 2013, net cash from operating activities was RMB44.6 million. Operating cash inflow before changes in working capital was RMB84.3 million, primarily attributable to profit before tax from continuing operations and discontinued operations for the year of RMB70.9 million, as adjusted by certain non-cash expense line items such as allowance for doubtful debts/bad debts written off — net of RMB7.4 million and depreciation of property, plant and equipment of RMB3.9 million. Changes in working capital contributed to a cash outflow of RMB26.3 million consisting primarily of (i) an increase in trade and other receivables and prepayments of RMB40.8 million, which was primarily due to our overall business growth, and (ii) an increase in amounts due from fellow subsidiaries of RMB17.7 million, which was primarily due to an increase in the total accumulated transaction amount (including revenue from engineering and pre-sale services) with our fellow subsidiaries, partially offset by (i) an increase in net receipts on behalf of residents of RMB15.4 million due to an increase in the number of communities we managed on a commission basis and (ii) an increase in trade and other payables of RMB11.8 million. Income tax paid was RMB13.4 million for the period.

In 2012, net cash from operating activities was RMB58.3 million. Operating cash inflow before changes in working capital was RMB64.6 million, primarily attributable to profit before tax from continuing operations and discontinued operations for the year of RMB60.6 million, as adjusted by certain non-cash expense line items such as allowance for doubtful debts/bad debts written off — net of RMB2.4 million and depreciation of property, plant and equipment of RMB2.1 million, partially offset by bank interest income of RMB0.7 million. Changes in working capital contributed to a cash inflow of RMB2.3 million consisting primarily of (i) an increase in net receipts on behalf of residents of RMB20.7 million and (ii) an increase in trade and other payables of RMB12.8 million, partially offset by (i) an increase in trade and other receivables and prepayments of RMB19.3 million and (ii) an increase in amounts due from customers for contract work of RMB8.6 million. Income tax paid was RMB8.7 million for the year.

In 2011, net cash from operating activities was RMB59.5 million. Operating cash inflow before changes in working capital was RMB18.9 million, primarily attributable to profit before tax from continuing operations and discontinued operations for the year of RMB0.9 million, as adjusted by certain non-cash expense line items such as allowance for doubtful debts/bad debts written off — net of RMB4.2 million, depreciation of property, plant and equipment of RMB2.4 million and finance costs of RMB14.9 million. Our finance costs increased significantly in 2011 due to the finance cost incurred in our discontinued operations. Changes in working capital contributed to a cash inflow of RMB51.0 million, consisting primarily of a decrease in trade and other receivables and prepayments of RMB156.0 million, partially offset by (i) an increase in properties for sale of RMB53.4 million (which was from our discontinued operations), and (ii) a decrease in trade and other payables (a substantial portion of trade payables arose from our discontinued operations) of RMB37.9 million. Income tax paid was RMB10.4 million for the year.

***Net cash (used in)/from investing activities***

Our net cash from investing activities was RMB363.4 million in 2013, primarily reflecting (i) repayments from fellow subsidiaries of RMB333.3 million arising from our discontinued operations, (ii) redemption of financial assets classified as FVTPL of RMB186.7 million and (iii) repayment from a related party of RMB46.4 million, partially offset by (i) purchase of financial assets classified as FVTPL of RMB144.0 million, (ii) purchase of property, plant and equipment of RMB17.2 million in connection with our equipment leasing program, (iii) advances to fellow subsidiaries of RMB25.5 million and (iv) acquisition of subsidiaries of RMB20.4 million.

Our net cash used in investing activities was RMB133.9 million in 2012, primarily reflecting (i) purchase of financial assets classified as FVTPL of RMB112.5 million; (ii) advances to fellow subsidiaries of RMB104.4 million arising from our discontinued operations and (iii) an advance to a related party of RMB46.3 million, partially offset by repayments from fellow subsidiaries of RMB77.7 million arising from our discontinued operations and redemption of financial assets classified as FVTPL of RMB70.3 million.

Our net cash used in investing activities was RMB487.5 million in 2011, primarily reflecting (i) advances to fellow subsidiary of RMB351.9 million from our discontinued operations, and (ii) proceeds from disposal of a subsidiary of RMB231.6 million, partially offset by (i) repayment from a related party of RMB95.2 million and (ii) repayments from fellow subsidiaries of RMB14.6 million.

***Net cash from/(used in) financing activities***

Our net cash used in financing activities was RMB286.9 million in 2013, primarily reflecting repayments to fellow subsidiaries of RMB357.7 million arising from our discontinued operations, partially offset by (i) the issue of shares and redeemable shares of RMB43.2 million and (ii) advances from fellow subsidiaries of RMB28.5 million.

Our net cash from financing activities was RMB69.9 million in 2012, primarily reflecting advances from fellow subsidiaries of RMB209.6 million, partially offset by (i) repayments to fellow subsidiaries of RMB102.6 million and (ii) repayments of bank borrowings of RMB40.0 million.

Our net cash from financing activities was RMB270.3 million in 2011, primarily reflecting (i) advances from fellow subsidiaries of RMB1,226.5 million, and (ii) new bank borrowings raised of RMB787.7 million arose from our discontinued operations, partially offset by (i) repayments to immediate holding company of RMB1,599.6 million, and (ii) repayments of bank borrowings of RMB100.0 million.

## Key Financial Metrics

The table below sets forth a summary of our key financial metrics during the Track Record Period:

| | | As of and for the year ended December 31, | | |
|---|---|---|---|---|
| **Financial metric** | **Formula** | **2011** | **2012** | **2013** |
| **Rates of return:** | | | | |
| Return on equity . . . . . . . . | Net profit from continuing operations attributable to owners of the Company for the year divided by total equity attributable to owners of the Company as of the end of the year x 100% | 31.5% | 41.4% | 24.8% |
| Return on total assets . . . | Net profit from continuing operations attributable to owners of the Company for the year divided by total assets as of the end of the year x 100% | 4.2% | 6.7% | 9.0% |
| **Liquidity:** | | | | |
| Current ratio . . . . . . . . . . . | Current assets divided by current liabilities | 1.05x | 1.08x | 1.24x |
| Quick ratio. . . . . . . . . . . . . | (Current assets less inventory) divided by current liabilities | 1.05x | 1.08x | 1.24x |

| Financial metric | Formula | As of and for the year ended December 31, 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **Capital adequacy:** | | | | |
| Gearing ratio . . . . . . . . . . | Total debt[1] divided by total equity at the end of the respective year | 62.8% | 1.3% | 4.5% |
| Net debt to equity ratio . . | Net debt[2] divided by total equity at the end of the respective year | 14.7% | Net cash | Net cash |

Notes:

(1) Total debt is defined as all interest-bearing borrowings.

(2) Net debt is defined as total debt net of bank balances and cash.

### Return on Equity

Our return on equity increased from 31.5% in 2011 to 41.4% in 2012 and decreased to 24.8% in 2013. Our return on equity increased from 2011 to 2012 primarily due to a higher rate of increase in net profit as compared to the increase in reserves. Our return on equity decreased in 2013, primarily due to the recognition of our listing expenses of RMB22.9 million and issue of new shares of RMB43.2 million. If our listing expenses and issuance of new shares were excluded, our return on equity in 2013 would be 41.3%.

### Return on Total Assets

Our return on total assets increased throughout the Track Record Period. The increase in our return on total assets was primarily due to our increased profitability resulting from the general increase in revenue and decrease in expenses as a percentage of revenue.

### Current Ratio

Our current ratio increased from 1.05 times as of December 31, 2011 to 1.08 times as of December 31, 2012, and further to 1.24 times as of December 31, 2013. Our current ratio maintained at a similar level from 2011 to 2012. The increase in current ratio as of December 31, 2013 was primarily due to our increased bank balances and cash, increase in trade receivables and decrease in amounts due to fellow subsidiaries as of December 31, 2013 as compared to December 31, 2012.

### Quick Ratio

Our quick ratio increased from 1.05 times as of December 31, 2011 to 1.08 times as of December 31, 2012, and further increased to 1.24 times as of December 31, 2013. Our quick ratio increased in the same trend as our current ratio due to the small amount of inventories carried by us.

### Gearing Ratio

Our gearing ratio was 62.8% in 2011, and decreased to a low level in 2012 and 2013. The decrease in our gearing ratio was primarily due to the repayment of a majority of our bank borrowings in 2012.

### Net Debt to Equity Ratio

Our net debt to equity ratio was 14.7% as of December 31, 2011, due to the significant decrease in equity as Yahao Technology disposed all equity interest that it held in several subsidiaries in 2011. We were in a net cash position as of December 31, 2012 and December 31, 2013 as we repaid our then existing borrowings in 2012.

## INDEBTEDNESS

The table below sets forth our outstanding debts as of December 31, 2011, 2012 and 2013 and April 30, 2014:

| | As of December 31, | | | As of April 30, |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) |
| Secured bank loans | 40,000 | — | — | — |
| Unsecured bank loan | — | — | 377 | 327 |
| Amounts due to fellow subsidiaries | 249,641 | 356,778 | 36,719 | 25,417 |
| Amount due to immediate holding company | 3,091 | 3,283 | 1,428 | 8,532 |
| Amount due to a joint venture | 169 | 94 | 94 | — |
| Amounts due to non-controlling shareholders | 828 | 1,972 | 2,900 | 7,918 |
| Amount due to an associate | — | 2,126 | 2,387 | 3,048 |
| Amount due to a related party | — | — | — | 534 |
| Redeemable shares | — | — | 6,614 | 6,857 |
| | **293,729** | **364,253** | **50,519** | **52,633** |
| Carrying amount repayable: | | | | |
| Within one year | 293,729 | 362,905 | 42,599 | 44,541 |
| More than two years, but not more than five years | — | — | 7,920 | 8,092 |
| More than five years | — | 1,348 | — | — |
| | **293,729** | **364,253** | **50,519** | **52,633** |
| Less: Amounts due within one year shown under current liabilities | (293,729) | (362,905) | (42,599) | (44,541) |
| **Amount shown under non-current liabilities** | **—** | **1,348** | **7,920** | **8,092** |

The table below sets forth the ranges of effective interest rates (which are the contracted interest rates) on our bank borrowings:

| | As of December 31, | | | As of April 30, |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| Variable-rate borrowing | | | | |
| Benchmark lending rate | 5.31% to 6.6% | N/A | N/A | N/A |
| Effective interest rate | 6.6% | N/A | N/A | N/A |
| Fixed-rate borrowing | | | | |
| Effective interest rate | N/A | N/A | 11.0% | 11.0% |

All of our bank borrowings were denominated in RMB.

As of December 31, 2011, several investment properties held by our fellow subsidiaries were pledged to a bank in respect of our bank borrowing amounting to RMB40.0 million. The pledge of assets and guarantees were released in 2012.

As of December 31, 2012 and 2013, we had an amount due to Mr. Mu Xiaoming, a non-controlling shareholder of our Company, of RMB1.4 million and RMB1.3 million, respectively. The amount is unsecured, bears interest of 8.9% per annum and matures during the year ending December 31, 2020.

We had no material covenants relating to any of our outstanding debts, and during the Track Record Period we had no material breach of such covenants.

**Latest Indebtedness**

As of the close of business on April 30, 2014, being the latest practicable date for the purpose of determining our indebtedness, we had outstanding (i) redeemable shares measured at amortized cost of RMB6.9 million, (ii) amounts due to fellow subsidiaries of RMB25.4 million, (iii) amounts due to non-controlling shareholders of RMB7.9 million, (iv) amount due to an associate of RMB3.0 million, (v) bank borrowings of RMB0.3 million, (vi) amounts due to Fantasia Holdings of RMB8.5 million and (vii) amount due to a related party of RMB0.5 million. Such balances are unsecured and unguaranteed.

Save as disclosed above and in the section titled "— Contingent Liabilities" or as otherwise disclosed herein, and apart from intra-group liabilities, as of the close of business on April 30, 2014, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has been no material change in our indebtedness since April 30, 2014.

Our Directors confirm that the transactions with respect to the amounts due from and due to related parties were conducted on an arm's length basis, and would not distort our track record results or make the historical results not reflective of our future performance, and the outstanding balances due from and due to related parties will be settled before the Listing. Our Directors also confirm that all related party balances which are trade in nature will be fully settled prior to the Listing. Our Directors are of the view that the Company is financially independent of the Controlling Shareholders and their associates even if the non-trade related party balance is not settled before Listing. For further details on related party balances and transactions, please refer to note 42 of the Accountants' Report in Appendix I to this prospectus.

## WORKING CAPITAL

Our Directors are of the opinion that, after taking into account the financial resource available to us including the estimated net proceeds of the Global Offering and our internally generated funds, we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this prospectus.

## CAPITAL COMMITMENTS AND CONTRACTUAL OBLIGATIONS

During the Track Record Period, our capital commitments mainly related to capital expenditure incurred in acquisition of subsidiaries and property, plant and equipment. The table below sets forth our capital commitments as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the financial information | 4,521 | 3,627 | — |
| Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial information | 642 | 1,795 | 11,620 |

Since the second half of 2012, we began our automaton equipment upgrade services to residential communities we manage or provide consultancy services to. Under the relevant lease agreements, we retain ownership over the installed devices during and after the contractual terms. See the section entitled "Business — Our Engineering Services — Equipment Leasing." In 2011, we incurred capital expenditures of RMB0.4 million towards the design and preparation for our automation and other equipment upgrade services through our equipment leasing program. In 2012 and 2013, the capital expenditures we incurred to acquire materials for our automation and other equipment upgrade services through our equipment leasing program amounted to RMB4.9 million and RMB13.0 million, respectively. Such equipment are recorded as leasehold improvement, furniture, fixtures and equipment or construction in progress as part of property, plant and equipment on our consolidated statements of financial position, and we estimate that they have useful lives of five years. Our capital commitments relating to expenditures in respect of the acquisition of property, plant and equipment during 2012 and the 2013 were primarily due to the acquisition of equipment used in our automation and other equipment upgrade services through our equipment leasing program.

## LISTING EXPENSES

The estimated total listing expenses (excluding underwriting commissions) in relation to this Global Offering are estimated to be approximately RMB53.9 million. In 2013, we incurred RMB30.3 million of listing expenses of which RMB22.9 million was recognized in our consolidated statements of profit or loss. We estimate that we will incur an additional total of RMB23.6 million in listing expenses (excluding underwriting commissions) by December 31, 2014, of which (i) RMB6.2 million is expected to be charged against equity upon successful listing, and (ii) RMB17.4 million will be charged to our consolidated statements of profit or loss. These listing expenses mainly comprises of professional fees paid to legal advisors and the reporting accountants for their services rendered in relation to the Listing and the Global Offering and also the sponsor fees for the Joint Sponsors (for the amount of not more than RMB15.5 million) for their services rendered in relation to the Listing and the Global Offering.

## OPERATING LEASES

### As Lessee

We lease a number of office spaces under operating leases. The leases typically have an initial term of two to 10 years, with options for renewal, at which time all terms are renegotiated. The table below summarized our operating lease commitments for the year ended or as of the dates indicated:

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| **Continuing operations** | | | |
| Minimum lease payments paid under operating leases in respect of rented premises during the year | 4,257 | 1,682 | 4,407 |

At the end of each reporting period, we had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| Within one year | 3,791 | 2,979 | 3,649 |
| Between two and five years | 15,039 | 5,665 | 9,540 |
| Over five years | 8,118 | 281 | 720 |
| **Total** | **26,948** | **8,925** | **13,909** |

### As Lessor

Shenzhen Kaiyuan Tongji enters into lease agreements with our relevant property management subsidiaries for and on behalf of the residential communities we manage or provide consultancy services to with a typical five-year term for automation and other equipment upgrade services. The relevant income is recognized as equipment leasing revenue under our engineering services segment. For more information about our automation and other equipment upgrade services, see the section entitled "Business — Our Engineering Services — Equipment Leasing."

During the Track Record Period, 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 under the community leasing, sales and other services segment. We have gradually phased out this practice and replace it with the arrangements described in the section entitled "Business — Our Community Leasing, Sales and Other Services — Portfolio of Community Leasing, Sales and Other Services — (iii) Residential and retail units rental and sales assistance."

In addition, we lease out our investment properties to Independent Third Parties. Property rental income earned in 2011, 2012 and 2013 were RMB42,000, RMB62,000 and RMB28,000, respectively. For the investment properties that have been rented out, these investment properties have committed tenants for three years.

As of the end of each reporting period, we had contracted with tenants or residential communities for the following future minimum lease payments:

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 |
| within one year | 2,844 | 3,950 | 14,111 |
| between two and five years | 10,239 | 11,241 | 31,652 |
| over five years | 2,475 | 2,250 | 1,921 |
| | **15,558** | **17,441** | **47,684** |

## CONTINGENT LIABILITIES

In the normal course of business, we are involved in lawsuits and other proceedings. Please see the section entitled "Risk Factors — Risk 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." For instance, in September 2012, Shenzhen Buji initiated court proceedings in Shenzhen against us in relation to a water supply contract dispute for a total amount of RMB10.9 million. As of the Latest Practicable Date, the procedure of the first instance had finished, but the outcome was yet to be finalized. However, the compensation of this legal proceeding is yet to be finalized. With reference to the current situation and based on a legal advice we received, the Directors have assessed the issue and considered that the amount of compensation cannot be reliably measured at this stage. Accordingly, the Directors consider no provision is required. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, we believe that no liabilities resulting from these proceedings will have a material adverse effect on our business, financial position, results of operations and prospects.

## OFF BALANCE SHEET ARRANGEMENTS

Subsequent to the Track Record Period and up to the date of this prospectus, we have not entered into any off balance sheet transactions or arrangements that we believe have, or are reasonably likely to have, a current or future material effect on our financial position, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources.

## MARKET RISKS

Market risk is the risk of loss related to adverse changes in the market prices of financial instruments, including interest rates and foreign exchange rates. We are exposed to various types of market risk in the ordinary course of business, including changes in interest rates and foreign exchange rates. We maintain our accounting records and prepare our financial statements in Renminbi.

### Interest Rate Risk

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on restricted bank deposits, bank balances and variable-rate bank borrowings. As a policy, we keep our borrowings at floating rate of interests to minimize the fair value interest rate risk. Our cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Lending Rate of the PBOC for our bank borrowings.

We are exposed to fair value interest rate risk in relation to fixed-rate borrowings, amount due to a non-controlling shareholder and redeemable shares. See notes 32 and 42(b) in the Accountant's Report in Appendix I to this prospectus. We currently do not have interest rate hedging policy. However, we monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Our management considered that interest rate risk in amount due to a non-controlling shareholder is insignificant.

**Credit Risk**

At the end of each reporting period, our maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position at the end of each reporting period. Our maximum exposure to credit risk arises from the carrying amount of recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize credit risk, our management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors believe that our credit risk is significantly reduced.

We had no concentration of credit risk in respect of trade receivables, with exposure spread over a number of customers, including residents in the communities managed by the Group under lump sum basis, customers from engineering service segment in relation to the provision of installation services and repair and maintenance services, and customers from community leasing, sales and other services in relation to provision of various community leasing, sales and other services. However, we had concentration of credit risk in respective of amounts due from certain fellow subsidiaries and non-controlling shareholders. See note 42(b) in the Accountants' Report in Appendix I to this prospectus. Our Directors consider the credit risk of amounts due from fellow subsidiaries to be insignificant after considering the historical settlement record, credit quality and financial position of these fellow subsidiaries.

For the amount due from a related party, we had not encountered any difficulties in collecting from the related party in the past, and is not aware of any financial difficulties experienced by the related party.

We had no concentration of credit risk in respect of payments on behalf of residents of communities we manage on a commission basis, with exposure spread over a number of management offices of communities across the PRC. The payments on behalf of residents from each community under commission basis contributed less than 10% of the total balance of payments on behalf of residents at the end of each reporting period. In addition, we assess the estimated future cash flow in respect of recovering from payment on behalf of residents from communities managed on a commission basis at the end of the reporting period to determine that adequate impairment losses are made. In this regard, our Directors believe that the credit risk in respect of the payments on behalf of residents is significantly reduced.

Our credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputations established in the PRC. Our credit risk on deposits paid on acquisition of subsidiaries is not significant as the counterparties are enterprises with good reputations established in PRC.

### *The Company*

We have concentration of credit risk on the amount due from a subsidiary. The credit risk on the amount due from a subsidiary is limited as we had not encountered any difficulties in collecting from the subsidiary in the past, and are not aware of any financial difficulties being experienced by the subsidiary.

### Liquidity Risk

In the management of liquidity risk, our management monitors and maintains a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

We rely on bank borrowings and amounts due to fellow subsidiaries and redeemable shares as significant sources of liquidity. As of December 31, 2011, 2012 and 2013, we had bank borrowings of approximately RMB40.0 million, nil and RMB0.4 million, amounts due to fellow subsidiaries of RMB249.6 million, RMB356.8 million and RMB36.7 million, and redeemable shares of nil, nil and RMB6.6 million, respectively.

### *Liquidity and interest risk tables*

The following tables detail our remaining contractual maturity for our financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay. The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate curve at the end of each reporting period.

| | Weighted average effective interest rate | Repayable on demand | Less than three months | Three months to one year | One year to eight years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **As of December 31, 2011** | | | | | | | |
| Trade and other payables . . . | — | 9,247 | 16,036 | — | — | 25,283 | 25,283 |
| Receipts on behalf of residents . . . . . . . . . . . . . . | — | 30,607 | — | — | — | 30,607 | 30,607 |
| Amounts due to fellow subsidiaries . . . . . . . . . . . . | — | 249,641 | — | — | — | 249,641 | 249,641 |
| Amount due to immediate holding company . . . . . . . . | — | 3,091 | — | — | — | 3,091 | 3,091 |
| Amounts due to non-controlling shareholders . . . . . . . . . . . | — | 828 | — | — | — | 828 | 828 |
| Amount due to a joint venture | — | 169 | — | — | — | 169 | 169 |
| Bank borrowings — variable rates . . . . . . . . . | 6.6% | — | 40,430 | — | — | 40,430 | 40,000 |
| | | **293,583** | **56,466** | **—** | **—** | **350,049** | **349,619** |

| | Weighted average effective interest rate | Repayable on demand | Less than three months | Three months to one year | One year to eight years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **As of December 31, 2012** | | | | | | | |
| Trade and other payables | — | 15,925 | 21,444 | — | — | 37,369 | 37,369 |
| Receipts on behalf of residents | — | 77,700 | — | — | — | 77,700 | 77,700 |
| Amounts due to fellow subsidiaries | — | 356,778 | — | — | — | 356,778 | 356,778 |
| Amount due to immediate holding company | — | 3,283 | — | — | — | 3,283 | 3,283 |
| Amounts due to non-controlling shareholders(1) | 8.9% | 624 | 41 | 233 | 2,244 | 3,142 | 1,972 |
| Amount due to an associate | — | 2,126 | — | — | — | 2,126 | 2,126 |
| Amount due to a joint venture | — | 94 | — | — | — | 94 | 94 |
| | | **456,530** | **21,485** | **233** | **2,244** | **480,492** | **479,322** |
| **As of December 31, 2013** | | | | | | | |
| Trade and other payables | — | 7,877 | 20,851 | — | — | 28,728 | 28,728 |
| Receipts on behalf of residents | — | 96,804 | — | — | — | 96,804 | 96,804 |
| Amounts due to fellow subsidiaries | — | 36,719 | — | — | — | 36,719 | 36,719 |
| Amount due to immediate holding company | — | 1,428 | — | — | — | 1,428 | 1,428 |
| Amounts due to non-controlling shareholders(1) | 8.9% | 1,570 | 60 | 179 | 1,551 | 3,360 | 2,900 |
| Amount due to an associate | — | 2,387 | — | — | — | 2,387 | 2,387 |
| Amount due to a joint venture | — | 94 | — | — | — | 94 | 94 |
| Redeemable shares | 12.0% | — | — | — | 7,404 | 7,404 | 6,614 |
| Bank borrowings — fixed rates | 11.0% | — | 56 | 167 | 242 | 465 | 377 |
| | | **146,879** | **20,967** | **346** | **9,197** | **177,389** | **176,051** |

Note:

(1) Except for the amount due to Mr. Mu Xiaoming, which was unsecured and interest-bearing at 8.9% per annum, the other amounts due to non-controlling shareholders were unsecured, interest-free and repayable on demand.

## DIVIDENDS AND DISTRIBUTABLE RESERVES

### Dividends

The payment and the amount of any dividends, if paid, will depend on the results of operation, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion. The recommendation of the payment is also subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders.

Further, the payment of any dividends will also be subject to the Companies Law and our constitutional documents, which indicate that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the relevant law.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of their after-tax profit, calculated in accordance with PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. Our PRC operating subsidiaries may only distribute their after-tax profits to us subsequent to setting aside relevant statutory reserve funds at a rate of at least 10% of their annual net profit until such fund reaches 50% of its registered capital. Such transfer to the statutory reserve and distributions to shareholders of funds are conducted through resolution of the board of directors or board of shareholders of the relevant PRC subsidiary in accordance with the Articles of Association of the subsidiaries of our Group, which was prepared in accordance with PRC laws. The statutory reserve is not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

We currently intend to retain most, if not all, of our available funds and future earnings to operate and expand our business. The Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

No dividend has been paid or proposed by the Company in 2011, 2012 and 2013.

No dividend has been paid or proposed by Ace Link in 2011.

Prior to the completion of the Reorganization, Shenzhen Colour Life declared dividend of RMB4.0 million to its non-controlling shareholders in 2011.

### Distributable Reserves

As of December 31, 2013, our distributable reserves amounted to RMB13.3 million, represented by share premium of RMB36.9 million, net of accumulated losses of RMB23.6 million of our Company.

## UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the Hong Kong Public Offering and International Offering on our consolidated net tangible assets as of December 31, 2013 as if the Global Offering had taken place on that date without taking into account any Share which may be issued pursuant to the Share Option Scheme, general mandate or repurchased pursuant to the general mandate. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Hong Kong Public Offering and International Offering been completed as of December 31, 2013 or at any future date. The unaudited pro forma statement of adjusted consolidated net tangible assets is based on the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as of December 31, 2013 as shown in the Accountants' Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the Accountants' Report in Appendix I to this prospectus.

| | Audited consolidated net tangible assets of our Group attributable to equity holders of our Company as of December 31, 2013(1) | Estimated net proceeds from the Global Offering(2) | Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of our Company(3) | Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company per Share | |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB(4) | HK$(5) |
| Based on an offer price of HK$3.30 (RMB2.59) per Share . . . . . . . . . . . . . | 127,951 | 598,111 | 726,060 | 0.73 | 0.92 |
| Based on an offer price of HK$4.60 (RMB3.62) per Share . . . . . . . . . . . . . | 127,951 | 845,960 | 973,911 | 0.97 | 1.24 |

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to owners of the Company as of December 31, 2013 is extracted from the Accountants' Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of the Company as of December 31, 2013 of approximately RMB178,925,000 less goodwill attributable to owners of the Company of approximately RMB50,537,000 and intangible assets attributable to owners of the Company of approximately RMB437,000 of the Group as of December 31, 2013.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price range of HK$3.30 (equivalent to RMB2.59) and HK$4.60 (equivalent to RMB3.62) per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding RMB22,854,000 listing expenses which has been accounted for prior to December 31, 2013) payable by the Group without taking into account any Share which may be issued pursuant to the Share Option Scheme, general mandate or repurchased pursuant to the general mandate. The estimated net proceeds from the Global Offering is converted from Hong Kong dollar to Renminbi at the rate of RMB0.7862 to HK$1.00, prevailing on December 31, 2013. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.

(3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2013.

(4) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company per Share is based on 1,000,000,000 Shares in issue immediately upon completion of the Global Offering and the Capitalization Issue.

(5) Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company per Share is converted from Renminbi to Hong Kong dollar at the rate of RMB0.7862 to HK$1.00 prevailing on December 31, 2013. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate or at any other rates or at all.

(6) The Company has agreed to issue and allot the China Bowen Subscription Shares and also granted the Put Option to China Bowen. For more information, please see the section entitled "History, Reorganization And The Group Structure — Pre-IPO Investments by First Shanghai and China Bowen." The Company has presented the China Bowen Subscription Shares with the Put Option as a financial liability — redeemable shares as at December 31, 2013. If the Company completes a qualifying initial public offering on or before June 4, 2015, the redeemable shares will be reclassified from liabilities to equity in the Group's consolidated statements of financial position.

Assuming the redeemable shares were converted upon the closing of the Global Offering, and after considering the adjustments of notes (1) and (2) above, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company would be RMB732,676,000 (based on an Offer Price of HK$3.30) and RMB980,525,000 (based on an Offer Price of HK$4.60) after adjusting for the carrying amount of financial liability — redeemable shares. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company per Share based on an Offer Price of HK$3.30 would be RMB0.73 (HK$0.93) and based on an Offer Price of HK$4.60 would be RMB0.98 (HK$1.25) determined on the basis 1,000,000,000 Shares in issue immediately upon completion of the Global Offering and Capitalization Issue without taking into account any Share which may be issued pursuant to the Share Option Scheme, general mandate or repurchased pursuant to the general mandate.

## NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects of our Company since December 31, 2013, being the date at which our latest audited financial information was prepared.

## DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.