



彩生活服務集團有限公司

Colour Life Services Group Co., Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code:1778

Global Offering

Joint Sponsors and Joint Global Coordinators

BofA Merrill Lynch



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

BofA Merrill Lynch



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

CMS  **招商證券**

 **第一上海**
FIRST SHANGHAI GROUP
FIRST SHANGHAI SECURITIES LIMITED

IMPORTANT

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



Colour Life Services Group Co., Limited 彩生活服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	250,000,000 Shares
Number of Hong Kong Offer Shares	:	25,000,000 Shares (subject to adjustment)
Number of International Offer Shares	:	225,000,000 Shares (subject to adjustment)
Maximum Offer Price	:	HK\$4.60 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on final pricing)
Nominal Value	:	HK\$0.10 per Share
Stock Code	:	1778

Joint Sponsors and Joint Global Coordinators

BofA Merrill Lynch



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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about June 20, 2014 and, in any event, not later than June 26, 2014. The Offer Price will be not more than HK\$4.60 and is currently expected to be not less than HK\$3.30. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$4.60 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$4.60. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us by June 26, 2014, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the Offer Price range will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section entitled "Underwriting." It is important that you refer to that section for further details.

The Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered outside the United States in accordance with Regulation S.

June 17, 2014

EXPECTED TIMETABLE ⁽¹⁾

Despatch of BLUE Application Form to Qualifying Fantasia Shareholders on or before	Tuesday, June 17, 2014
Latest time to complete electronic applications under (i) White Form eIPO service, and (ii) Online Preferential Offer service (Blue Form eIPO service) through the designated website www.eipo.com.hk ⁽³⁾	11:30 a.m. on Friday, June 20, 2014
Application lists open ⁽²⁾	11.45 a.m. on Friday, June 20, 2014
Latest time to lodge WHITE, YELLOW and BLUE Application Forms	12:00 noon on Friday, June 20, 2014
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, June 20, 2014
Latest time to complete electronic applications under (i) White Form eIPO service and (ii) Blue Form eIPO service by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, June 20, 2014
Application lists close	12:00 noon on Friday, June 20, 2014
Expected Price Determination Date	Friday, June 20, 2014
(1) Announcement of	
• the Offer Price;	
• the level of applications in the Hong Kong Public Offering and the Preferential Offering;	
• the level of indications of interest in the International Offering; and	
• the basis of allotment of the Hong Kong Offer Shares and the Reserved Shares, to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before	Friday, June 27, 2014
(2) Results of allocations of the Hong Kong Public Offering and the Preferential Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "G. Publication of Results" in the section entitled "How to Apply for Hong Kong Offer Shares and Reserved Shares")	Friday, June 27, 2014
(3) A full announcement containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.colourlife.hk from	Friday, June 27 2014
Results of allocations in the Hong Kong Public Offering and the Preferential Offering will be available at www.iporesults.com.hk , with a "search by ID" function	Friday, June 27, 2014
Despatch of White Form e-Refund payment instructions/ refund cheques on or before ⁽⁵⁾	Friday, June 27, 2014
Despatch of share certificates on or before ⁽⁵⁾	Friday, June 27, 2014
Dealings in Shares on the Stock Exchange expected to commence on	Monday, June 30, 2014

EXPECTED TIMETABLE ⁽¹⁾

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section entitled “Structure of the Global Offering.”
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Friday, June 20, 2014, the application lists will not open on that day. Further information is set out in the paragraph titled “F. Effect of Bad weather on the Opening of the Application Lists” in the section entitled “How to Apply for Hong Kong Offer Shares and Reserved Shares.”
- (3) You will not be permitted to submit your application under **White Form eIPO** service or the **Blue Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (4) If you apply by giving electronic application instructions to HKSCC, you should refer to the section entitled “How to Apply for Hong Kong Offer Shares and Reserved Shares — A. Applications for Hong Kong Offer Shares — 5. Applying by Giving Electronic Application Instructions to HKSCC via CCASS.”
- (5) Share certificates for the Hong Kong Offer Shares and the Reserved Shares are expected to be issued on Friday, June 27, 2014 but will only become valid if the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date, which is expected to be Monday, June 30, 2014. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates do so entirely at their own risk.

Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and the right of termination of the Underwriting Agreements described in the section entitled “Underwriting” has not been exercised at any time prior to 8:00 a.m. on the Listing Date, which is expected to be on Monday, June 30, 2014.

EXPECTED TIMETABLE ⁽¹⁾

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares and Reserved Shares, you should refer to the sections entitled “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares and Reserved Shares” in this prospectus.

A **BLUE** Application Form has been despatched to each Qualifying Fantasia Shareholder. In addition, Qualifying Fantasia Shareholders will receive a copy of this prospectus in the manner in which they have elected to receive corporate communications under Fantasia Holdings’ corporate communications policy.

If a Qualifying Fantasia Shareholder has elected to receive corporate communications from Fantasia Holdings in printed form or has not been asked to elect the means of receiving Fantasia’s corporate communication, a printed copy of this prospectus in the elected language version(s) will be despatched to such Qualifying Fantasia Shareholder.

If a Qualifying Fantasia Shareholder has (a) elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communication from Fantasia Holdings, an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company and the Stock Exchange at www.colourlife.hk and www.hkexnews.hk under the section headed “HKExnews > Listed Company Information > Latest Listed Company Information,” respectively. The contents of this prospectus available online are identical in all respects with the contents of this prospectus in printed form. The prospectus may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. Neither the prospectus available online nor any of its contents is, in this context, an offer of securities for sale in any jurisdiction outside Hong Kong where it would be illegal to make an offer. Distribution of the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction.

Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, the prospectus should not be distributed, forwarded or transmitted outside or from Hong Kong with or without the **BLUE** Application Forms, except to Qualifying Fantasia Shareholders as specified in this prospectus. By accepting the prospectus, the Qualifying Fantasia Shareholders are deemed to agree to be bound by the foregoing instructions.

Qualifying Fantasia Shareholders may obtain a printed copy of this prospectus from any of the following locations during normal business hours (unless otherwise indicated):

- (i) any of the designated branches of the receiving bank at the times set out in “How to Apply for Hong Kong Offer Shares and Reserved Shares”; and
- (ii) the designated offices of each of those Hong Kong Underwriters set out in “How to Apply for Hong Kong Offer Shares and Reserved Shares.”

CONTENTS

Colour Life Services Group Co., Limited has issued this prospectus solely in connection with the Hong Kong Public Offering, the Preferential Offering, the Hong Kong Offer Shares and the Reserved Shares. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares and the Reserved Shares offered by this prospectus pursuant to the Hong Kong Public Offering and the Preferential Offering, respectively. This prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong (save for the Preferential Offering made to the Qualifying Fantasia Shareholders). The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information not given or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus including the appendices to this prospectus before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are summarized in the section entitled "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Offer Shares.

BUSINESS OVERVIEW

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

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

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 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 engineering services fees	46,840	32.0	59,494	30.3	51,623	22.1

SUMMARY

	Year ended December 31,					
	2011		2012		2013	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
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	2,297	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 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

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.

SUMMARY

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by each business segment in 2011, 2012 and 2013:

	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 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 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 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

For further information, please see the section entitled “Financial Information — Description of Selected Statements of Profit or Loss Line Items — Gross Profit and Gross Profit Margin” on page 289 of this prospectus.

Segment Profit and Profit Margin

The following table sets forth our segment profit and segment profit margin by each business segment in 2011, 2012 and 2013:

	Year ended December 31,					
	2011		2012		2013	
	Segment profit (RMB'000)	Segment profit margin (%)	Segment profit (RMB'000)	Segment profit margin (%)	Segment profit (RMB'000)	Segment profit margin (%)
Property management services	22,515	30.1	27,988	26.7	39,498	28.9
Engineering services	7,735	16.5	10,250	17.2	11,533	22.3
Community leasing, sales and other services	7,530	30.3	22,183	69.0	39,871	89.3
Total	37,780	25.8	60,421	30.7	90,902	39.0

SUMMARY

Our Property Management Services

For our property management services, we focus on implementing our standardization, centralization and automation strategy with a view to enhancing service quality, establishing centralized management and improving cost efficiency. Our major customers are mainly property developers (pursuant to preliminary property management contracts before their replacement by property management contracts with property owners' associations) and property owners' associations (pursuant to our contracts with property owners' associations entered into subsequently) of the residential communities managed by us. As of December 31, 2013, we had expanded our presence to 60 cities where we were contracted to manage 436 residential communities and provide consultancy services to 179 residential communities in the PRC. The table below sets forth the total contracted GFA and the number of residential communities and pure commercial properties we managed or provided consultancy services to in different regions in the PRC as of the dates indicated:

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

Notes:

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

SUMMARY

The table below sets forth the expiration schedule of the related property management contracts based on their contractual terms and their contribution to our revenue in 2013:

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

Notes:

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

As of December 31, 2013, 94.9% of the properties we managed or provided consultancy services to were constructed by developers other than the Retained Group.

SUMMARY

Our property management fees are calculated either on a commission basis or a lump sum basis. When we are engaged on a commission basis, we essentially act as an agent of the property owners. We are entitled to first retain as revenue a pre-determined percentage (typically 10%) of the property management fees the property owners are obligated to pay as prescribed by relevant local authorities, and the remainder is reserved as working capital to cover the expenses associated with our property management work. The costs relating to the performance of our services are typically borne by the property owners through the community management offices, and as a result we do not incur any direct cost in general. We may be required to use our financial resources to make up for any working capital shortfall at the community level, and in such event we recognize payments on behalf of residents on our balance sheets. Please see the section entitled “— Summary Financial Information — Payments on Behalf of Residents” below. When we are engaged on a lump sum basis, we are entitled to retain as revenue the full amount of received property management fees. Out of such fees we pay out our expenses associated with our property management services, which we recognize as our costs. If the amount of property management fees we collect is insufficient to cover all the expenses incurred, we are not entitled to request the property owners to pay for the shortfall. In addition, we generate revenue from providing pre-sale services to property developers during their pre-sale activities, such as cleaning, security and maintenance of the pre-sale display units and from providing consultancy services to property management companies.

When we bid for a new engagement, one of the factors we generally consider is the local government’s guidance price on property management fees. The relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of the fees charged in relation to property management services. See the section entitled “Laws and Regulations relating to the Industry — Legal Supervision over the Property Management Sector in the PRC — Fees Charged by Property Management Enterprises” on page 94 of this prospectus. Our Directors believe that the government-imposed limits on fees have had an effect on our results of operation during the Track Record Period, as we did not have the flexibility to adjust our pricing upwards in response to rising operating costs. See the section entitled “Risk Factors — Risks relating to Our Business and Industry — We are subject to the regulatory environment and measures affecting the PRC property management industry” on page 45 of this prospectus.

As of December 31, 2011, 2012 and 2013, residential communities which fees charged on a commission basis constituted 95.6%, 94.5% and 68.7% of our total contracted GFA, respectively. As of December 31, 2011, 2012 and 2013, residential communities with fees charged on a lump sum basis constituted 0.8%, 0.5% and 0.4% of our total contracted GFA, respectively. As of the same dates, communities which we provided consultancy services to constituted 3.6%, 5.0% and 30.9% of our total contracted GFA for residential communities, respectively.

During the Track Record Period, our expansion primarily relied on organic growth by obtaining new service engagements. To accelerate our expansion, we plan to place increased emphasis on selectively pursuing acquisition opportunities for regional property management companies. We plan to selectively evaluate opportunities in cities with high population in economically developed regions. For example, we plan to further expand our presence in cities in Eastern China (such as Shanghai, Nanjing and Suzhou), Southern China (such as Shenzhen, Huizhou and Dongguan), Northwestern China (such as Xi’an) and Southwestern China (such as Chengdu) by the end of 2015.

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Our Engineering Services

We primarily provide automation and other hardware equipment installation services to property developers for their new property developments in accordance with their requirements, which we believe help diversify our revenue bases and enable us to build business relationships with property developers who may engage us to provide property management services for their property developments. As of December 31, 2013, we had completed 217 automation and other hardware equipment installation services projects to property developers, such as security monitoring systems, intercommunication devices, alarms, key card security systems and power supplies system. During the Track Record Period, our major suppliers were sub-contractors and equipment suppliers for our engineering services segment, and our major customers were property owners' associations of the residential communities managed by us and property developers for our engineering services.

We also provide repair and maintenance services to residential communities which we managed or provided consultancy services to. We began our automation and other equipment upgrade services through our equipment leasing program in the second half of 2012, and as of December 31, 2013, we had completed such upgrades at approximately 79 residential communities we managed or provided consultancy services to. We target to upgrade equipment such as carpark security systems, vehicle remote access systems and automatic personnel entry systems in all the properties we manage or provide consultancy services to, with a view to lowering the cost of property management services and enhancing their sustainability. In 2014 and 2015, we plan to roll out automation and other equipment upgrade to approximately an additional 320 residential communities we manage or provide consultancy services to, with capital expenditures amounting to approximately RMB120 million over the two years to be funded by the net proceeds from the Global Offering. We are authorized under our property management or consultancy contracts to make such upgrades.

Our Community Leasing, Sales and Other Services

Our major community leasing, sales and other services provided to residents and property owners of the residential communities we manage or provide consultancy services to include:

- common area rental assistance, where we earn a commission by helping to lease out common areas in the residential communities we manage to;
- purchase assistance, through which residents can take advantage of products and services offered by local vendors through our platform, and we retain referral fees from suppliers in return; and
- residential and retail units rental and sales assistance, where we primarily (i) refer property owners with rental needs to an independent third-party property agent, who in turn rents the units as the primary tenant and sub-leases them out to sub-tenants, or (ii) refer cases to third-party property agents which help property owners consummate sales. We are paid a fee for each successful referral from the property agent, and also generate revenue from granting property agents access to our online rental information platform.

Our major community leasing, sales and other services generate one-off revenue, as the relevant revenue is generated on a per-transaction basis with our customers, except for the online rental information platform usage fees as part of our residential and retail units rental and sales assistance, which generate recurring revenue. Such recurring revenue amounted to approximately 11%, 4% and 12% of our total community leasing, sales and other services revenue in 2011, 2012 and 2013, respectively. During the Track Record Period, we also provided property agency services, which we have gradually replaced with our residential and retail unit rental and sales assistance services through third-party property agent in order to better concentrate on developing our service platform.

SUMMARY

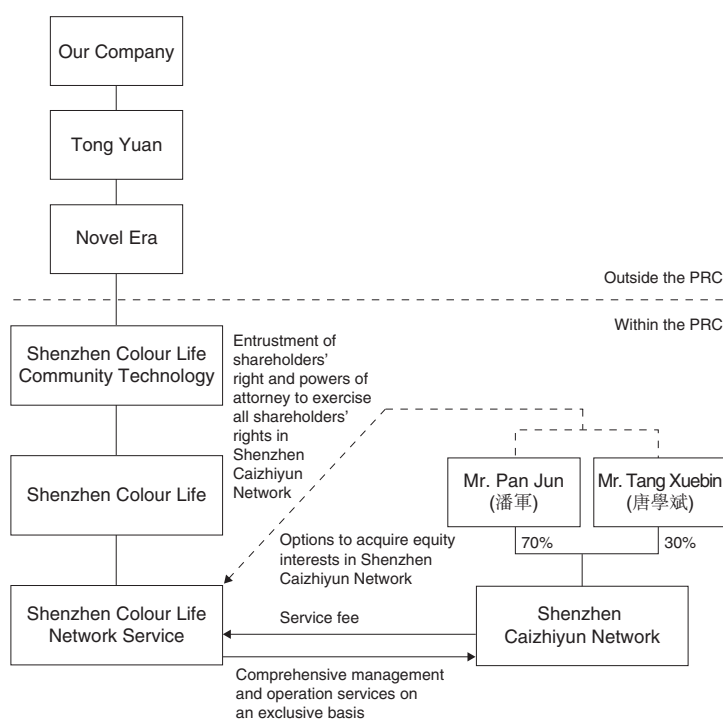
Our community leasing, sales and other services are primarily provided through our offline platform, including our on-site management offices and our toll free service hotline. We plan to develop an online platform by further extending the coverage of the Colour Life website to more residential communities we manage or provide consultancy services to with a view to making our online platform accessible for more residents to utilize our community leasing, sales and other services.

In response to 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 during the Track Record Period. We aim to dedicate more resources to our community leasing, sales and other services business, which we believe will enable us to diversify our business and strengthen our profitability, thereby enhancing our competitive position as one of the leaders in the PRC property management industry.

Structured Contracts

Throughout 2011 and up to May 31, 2012, our subsidiary, Shenzhen Colour Life Network Service, held an ICP License and operated certain online community leasing, sales and other services through the website www.colourlife.com. The ICP License expired on May 31, 2012, and the relevant authorities declined its renewal on the ground that Shenzhen Colour Life Network Service was an indirect foreign invested enterprise, and that its foreign companies do not have the track record and experience required under relevant laws and regulations.

To continue to operate our online business, on June 16, 2014, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network and its equity interest holders, namely Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌), entered into the Structured Contracts, as illustrated by the simplified diagram below:



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For more information, see the section entitled “History, Reorganization and the Group Structure — The Structured Contracts — Summary of the Structured Contracts” on page 131 of this prospectus.

We believe that, taken as a whole, the Structured Contracts permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated in our Group as if it was our subsidiary, while allowing Shenzhen Colour Life Network Service to effectively supervise, manage and operate the online platform for our community leasing, sales and other services business operations, expansion plans and financial policies of Shenzhen Caizhiyun Network. In 2012 and 2013, we generated revenue from our value-added telecommunications services amounting to RMB2.7 million and RMB4.5 million, respectively, representing approximately 1.4% and 1.9% of our revenue in such years, respectively. For more information, see the sections entitled “Risk Factors — Risks relating to Our Corporate Structure” and “History, Reorganization and the Group Structure — The Structured Contracts” on page 53 and page 127, respectively, of this prospectus.

Sub-contracting

To utilize our own workforce more efficiently, we delegate certain property management and engineering services, such as security, cleaning, gardening, repair and maintenance and equipment installation service to qualified third-party sub-contractors.

Major Cost of Sales and Services

Our cost of sales and services comprises labor costs, sub-contracting costs, costs of raw materials (mainly consisting of energy-saving light bulbs, intercommunication devices, security camera wires, pipes and others), utility costs, depreciation and amortization and others. During the Track Record Period, labor costs and sub-contracting costs in aggregate accounted for 66.7%, 70.3% and 74.7% of our total cost of sales and services in 2011, 2012 and 2013, respectively. Raw material costs accounted for 18.9%, 18.3% and 13.1% of our total cost of sales and services in 2011, 2012 and 2013, respectively. For information regarding our major suppliers, please see the section entitled “Business — Our Suppliers” on page 194 of this prospectus.

RECENT DEVELOPMENT

As of April 30, 2014, we had expanded our presence to 78 cities where we were contracted to manage 465 residential communities and provide consultancy services to 373 residential communities with an aggregate contracted GFA of 68.3 million sq.m. and 57.5 million sq.m., respectively, including revenue-bearing GFA of 58.2 million sq.m. and 56.9 million sq.m., respectively. With a view to expanding our presence, showcasing our services and abilities to a wider audience, making our brand more widely known and expanding the customer base for our community leasing, sales and other services, we have selectively entered into consultancy services contracts with regional property management companies. As of April 30, 2014, we had completed 219 automation and other hardware equipment installation service projects to property developers, and completed automation and other equipment upgrade services through our equipment leasing program to 137 residential communities we managed or provided consultancy services to. We rendered our community leasing, sales and other services to 507 residential communities we managed or provided consultancy services to as of April 30, 2014.

SUMMARY

Our Directors confirm that (i) there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus, (ii) there have not been any material adverse changes in the PRC property management industry or the related regulatory environment that would result in a material adverse change to our business operations or financials or profit or loss conditions, and (iii) there were no significant non-recurrent items in our consolidated statements for the four month ended April 30, 2014.

Certain of our Directors and senior management members received share options from Fantasia Holdings in 2011 and 2012, and as a result, we recognized share-based payments of approximately RMB74,000, RMB167,000 and RMB370,000 in 2011, 2012 and 2013, respectively, in our consolidated statements of profit or loss and other comprehensive income. Assuming (i) their share options and positions in our Company remain unchanged in 2014, and (ii) our Directors and senior management members are not granted any more share options by Fantasia Holdings or our Company, we estimate that our share-based payments in 2014 will be approximately RMB174,000, due to the amortization of their Fantasia Holdings share options.

OUR COMPETITIVE STRENGTHS

We were ranked second in terms of growth potential, and 22nd in terms of overall strength among the top 100 property management companies in 2013 by China Index Academy. For more information about the competitive landscape, see the section entitled “Industry Overview — Property Management Industry in the PRC — Competition” on page 85 of this prospectus. We believe that the following competitive strengths have allowed us to achieve a strong position in the property management industry in the PRC and differentiate us from our competitors:

- We are one of the leading property management companies with a proven track record and strong brand recognition
- By implementing standardization, centralization and automation, we are able to provide consistent and cost-efficient residential property management services
- We have a scalable business model which enables us to expand efficiently
- We focus on continuing to develop an offline and online service platform connecting residents with local vendors for community leasing, sales and other services
- We have ample growth opportunities
- We have an experienced and stable management team with strong execution capability and in-depth knowledge of our industry

OUR BUSINESS STRATEGIES

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

- Further increase the total GFA and the number of residential units we manage in existing and new markets to enhance the reach of our service platform and increase our revenue
- Further enhance our standardization, centralization and automation to elevate service quality and consistency and maximize our cost efficiency
- Further strengthen existing relationships and develop new relationships with customers of our engineering services business

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- Continue to develop our offline and online service platform and enhance service quality to customers and the usage of the Colour Life website
- Develop and attract proper talents to support our growth

THE SPIN-OFF AND INDEPENDENCE FROM FANTASIA HOLDINGS

Our Listing will constitute a spin-off of Fantasia Holdings, our Controlling Shareholder. Our Directors believe that the spin-off brings several benefits, including (i) realizing the fair value of investment in our Group by Fantasia Holdings and our Shareholders, (ii) allowing us to establish our own identity as a separately listed group and fund-raising platforms, (iii) allowing us to further develop our expertise and improve on our quality of residential property management service, (iv) enhancing our position to negotiate and solicit more businesses, (v) increasing our operational and financial transparency and improving our corporate governance, (vi) enhancing our corporate profile to attract strategic investors, (vii) using our stock performance as a separate benchmark to evaluate our performance, and (viii) enabling a more focused development, strategy planning and better allocation of resources for the Retained Group and our Group.

The Retained Group is principally engaged in (i) property development, (ii) property investment, (iii) property agency and related services, (iv) property operational services which involve the provision of property management of pure commercial properties, and (v) hotel operations. The Retained Group is also engaged in the provision of credit services while our Group is not. We, on the other hand, are principally focused on property management services of residential communities, engineering services and community leasing, sales and other services. For the reasons described in the section entitled “Relationship with our Controlling Shareholder,” our Group is restricted from providing property management services to pure commercial properties and our Directors are of the view that such potential competition between the Retained Group on one hand and our Group on the other hand, if it were to materialize, is sufficiently addressed by the terms of the Deed of Non-Competition and will not adversely affect our Group.

In light of the differences between residential communities and pure commercial properties, property management services are tailored and customized to accommodate the differences in the property involved and thus property management of residential communities and pure commercial properties requires different expertise. Given such differences, going forward, our Group will continue to acquire property management companies or bid for property management contracts where the majority of the portfolio consists of residential communities and the Retained Group will only acquire property management companies or bid for property management contracts where the business portfolios are purely commercial in nature. Based on the size of each of the residential community market and commercial property market, our Directors are of the view that each market can accommodate different types of property management business and minimize the potential competition.

Pursuant to the Deed of Non-Competition, Fantasia Holdings, our Controlling Shareholder has undertaken to us that:

- (i) it will not engage in any business involving:
 - property management services focusing on the residential communities;

SUMMARY

- engineering services primarily including (i) equipment installation services, (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through equipment leasing; or
 - community leasing, sales and other services targeting residents residing in and property owners of the residential communities primarily including (i) common area rental assistance, (ii) purchase assistance and (iii) residential and retail units rental and sales assistance.
- (ii) in relation to the residential communities developed by the Retained Group, the Retained Group will not participate in the property management of such properties but will select property management companies through a tendering process in which our Group will be invited to participate; and
- (iii) if the Retained Group has identified or is offered any project or new business opportunities to engage in or acquire a company engaging in property management for the residential communities, it shall provide us (subject to such confidentiality requirements as may be applicable) all information and documents possessed by it in respect of such project or new business opportunity in relation to property management of residential communities to enable us to evaluate the merit of the same.

The business opportunity shall be reviewed by our Executive Directors, who shall make their recommendation to our Independent Non-executive Directors, on whether or not to take up the business opportunity in relation to property management of residential communities referred to us under the terms of the Deed of Non-Competition after the Retained Group notifies our Company of such business opportunity in writing. Our Independent Non-executive Directors will be responsible for deciding whether or not to take up a business opportunity referred to us within one month under the terms of the Deed of Non-Competition.

Our Company is of the view that the one-month period for our Independent Non-executive Directors to consider whether our Company shall pursue such business opportunity is reasonable, it allows sufficient time for our Executive Directors to make their recommendation to our Independent Non-executive Directors and for our Independent Non-executive Directors to review the information relating to the business opportunity and (where necessary) to employ, at our Company's cost, an independent financial advisor as they consider necessary to advise our Independent Non-executive Directors on the business opportunity. Such one-month period is a reasonable period which could minimize the time for the Retained Group to offer the business opportunity to any Independent Third Parties.

Under the above proposed arrangement, our Company's management team will undertake a passive role and the decision as to whether or not our Company will take up the business opportunity rests solely with our Independent Non-executive Directors. We consider that the above implementation plan will ensure a high degree of effectiveness in terms of decision making under the Deed of Non-Competition.

For further information on our Group's competition with and business delineation from the Retained Group, please see the section entitled "Relationship with Our Controlling Shareholder" beginning on page 218 of this prospectus.

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SUMMARY FINANCIAL INFORMATION

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 on page I-91 of the Accountants' Report in Appendix I to this prospectus.

Selected 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
Gross profit	69,184	94,165	143,647
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

Selected Consolidated Statements of Financial Position

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Non-current assets	45,485	66,531	119,874
Current assets	421,404	589,411	374,593
Current liabilities	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	556	1,686	8,429
Net assets	63,713	108,185	183,703

SUMMARY

Selected Consolidated Statements of Cash Flows

	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 end of the year	30,657	24,980	146,113

Key Financial Metrics

Financial metric	As of and for the year ended December 31,		
	2011	2012	2013
Return on equity	31.5%	41.4%	24.8%
Return on total assets	4.2%	6.7%	9.0%
Current ratio	1.05x	1.08x	1.24x
Quick ratio	1.05x	1.08x	1.24x
Gearing ratio	62.8%	1.3%	4.5%
Net debt to equity ratio ⁽¹⁾	14.7%	Net cash	Net cash

Note:

(1) Net debt is defined as all interest-bearing borrowings net of bank balances and cash.

Payments on Behalf of Residents

When we are contracted to manage communities on a commission basis, we essentially act as an agent of the property owners. 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. 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 or payments on behalf of residents for residential communities under consultancy service arrangements. Our PRC legal advisor has confirmed that we have the legal right to request the property owners at communities to which we provide property management services on a commission basis to make up for 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). According to China Index Academy, it is a common practice for property management companies in the PRC to make such payments on behalf of residents with a view to recovering from the residents or property owners subsequently. We typically do not exercise such right in favor of preserving good relationships with the property owners. Instead, we generally attempt to make up for the shortfall from excess working capital generated in subsequent periods, which we target to realize through enhancing the collection of property management fees and reducing costs at the community level. We also aim to avoid such shortfalls through budget control and other measures. The net balances of our payments on behalf of residents were RMB19.7 million, RMB46.1 million and RMB44.0 million as of December 31, 2011, 2012 and 2013, respectively.

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Similarly, management offices of the residential communities we provide consultancy services to have no separate bank accounts, and we provide treasury function services to them to help them settle their transactions. As of December 31, 2013, we had payments on behalf of residents for residential communities under consultancy service arrangements of RMB2.9 million, which had been fully settled as of April 30, 2014.

For further information on impairment of payments on behalf of residents, please see the section entitled “Financial Information — Critical Accounting Policies, Estimates and Judgments — Critical Accounting Judgments and Estimates — Estimated impairment of payments on behalf of residents” on page 280 of this prospectus. There is no guarantee that we will be able to recover our payments on behalf of residents. For more information, see the section entitled “Risk Factors — Risks relating to Our Business and Industry — We may fail to recover all payments on behalf of residents” on page 37 of this prospectus.

We have begun adopting a number of measures to improve the recoverability of payments on behalf of residents since early 2013, such as the availability of electronic payment methods. We have also taken measures to reduce costs, such as our automation and other equipment upgrade services through our equipment leasing program since the second half of 2012. We believe these measures help maintain our sustainability and profitability going forward. For more information about our payments on behalf of residents, see the section entitled “Financial Information — Description of Certain Items in Statements of Financial Position — Payments/Receipts on Behalf of Residents” on page 318 of this prospectus.

RISK FACTORS

Investing in our Offer Shares involves substantial risk and our ability to successfully operate our business is subject to numerous risks, including those that are generally associated with operating in the PRC. Any of the factors set forth under the section entitled “Risk Factors” may limit our ability to successfully execute our business strategy. For example, (i) we may fail to recover all payments on behalf of residents, (ii) our ability to maintain and improve our current level of profitability depends on our ability to control operating costs, in particular labor costs, (iii) our future growth may not materialize as planned, or our acquisitions may not be successful, (iv) we may not be able to grow our community leasing, sales and other services as planned, and (v) we may not be able to meet the Qualification Requirement and, if and when the relevant regulations evolve, we may not be permitted to hold 100% equity interests in our PRC operation company for the online value-added services. You should carefully consider all of the information set forth in this prospectus and, in particular, you should evaluate the specific factors set forth under “Risk Factors” beginning on page 37 of this prospectus in deciding whether to invest in our Offer Shares.

For further information relating to these and other risks relating to an investment in our Offer Shares, see the section entitled “Risk Factors” beginning on page 37 of this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$889.3 million from the Global Offering assuming an Offer Price of HK\$3.95 per Share (being the mid-point of the indicative Offer Price range) after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering. We currently plan to use our net proceeds from the Global Offering as follows:

- approximately 60% of net proceeds to us (approximately HK\$533.6 million) for acquisition of regional property management companies. Please see the section

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entitled “Business — Our Property Management Services — Selection Process of Target Communities for Expanding our Property Management Services — External acquisitions of property management companies.” As of the Latest Practicable Date, we had not identified any particular acquisition target;

- approximately 20% of net proceeds to us (approximately HK\$177.9 million) to purchase hardware equipment used for upgrading the communities under our engineering services business segment. Please see the section entitled “Business — Our Engineering Services — Equipment Leasing”;
- approximately 10% of net proceeds to us (approximately HK\$88.9 million) to fund the sales and marketing activities and investment of information technology software to further develop our community leasing, sales and other services platform. Please see the section entitled “Business — Research and Development”; and
- approximately 10% of net proceeds to us (approximately HK\$88.9 million) for working capital and general corporate purposes.

For details, please see the section entitled “Future Plans and Use of Proceeds” beginning on page 356 of this prospectus.

LISTING EXPENSES

The estimated total listing expenses (excluding underwriting commissions) incurred 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 commission) 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. Our incurred and estimated listing expenses are non-recurring, and due to such expenses we may experience a material adverse change in our results of operations for the year ending December 31, 2014. See the section entitled “Financial Information — Listing Expenses” on page 347 of this prospectus.

GLOBAL OFFERING STATISTICS⁽¹⁾

	<u>Based on an Offer Price of HK\$3.30 per Share</u>	<u>Based on an Offer Price of HK\$4.60 per Share</u>
Number of Offer Shares.	250,000,000	250,000,000
Market capitalization of our Shares ⁽²⁾	HK\$3,300.0 million	HK\$4,600.0 million
Unaudited pro forma adjusted consolidated net tangible assets per share ⁽³⁾	HK\$0.92	HK\$1.24

Notes:

- (1) All statistics in this table are prepared without taking into account the 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee.
- (2) The calculation of market capitalization is based on 1,000,000,000 Shares expected to be issued and outstanding following the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in Appendix II and based on 1,000,000,000 Shares expected to be issued and outstanding following the Global Offering.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Ace Link”	Ace Link Pacific Limited, a limited liability company incorporated in the British Virgin Islands on September 3, 2007 and an indirect wholly owned subsidiary of Fantasia Holdings
“Application Form(s)”	WHITE Application Form(s), YELLOW application Form(s), GREEN Application Form(s) and BLUE Application Form(s), or where the context so requires, any of them that is used in connection with the Hong Kong Public Offering or the Preferential Offering (as applicable)
“Articles of Association”	the articles of association of our Company, conditionally adopted on June 11, 2014 and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Assured Entitlement”	the entitlement of the Qualifying Fantasia Shareholders to apply for the Reserved Shares on an assured basis under the Preferential Offering to be determined on the basis of their respective shareholdings in Fantasia Holdings at 4:30 p.m. on the Record Date
“BLUE Application Form(s)”	the application form(s) to be sent to Qualifying Fantasia Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offering
“Blue Form eIPO”	the application for the Reserved Shares to be issued in a Qualifying Fantasia Shareholder’s own name by submitting applications online through the designated website site of Blue Form eIPO at www.eipo.com.hk
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of Shares to be made upon capitalization of the share premium account of our Company as referred to in the section entitled “Statutory and General Information — A. Further information about our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on June 11, 2014” in Appendix IV to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China Bowen”	China Bowen Capital Management Co., Ltd., a company incorporated in the Cayman Islands with limited liability on December 21, 2010 and one of our Shareholders which is owned as to 45% by Wang Wen, 25% by Zhou Wen, 20% by Rao Wenjian and 10% by Wen Bingchang, all are Independent Third Parties. It will directly hold approximately 0.50% of the issued share capital of our Company immediately upon completion of Global Offering and the Capitalization Issue
“China Bowen Subscription Agreement”	a share subscription agreement dated May 29, 2013 entered into between our Company, Fantasia Holdings, Splendid Fortune and China Bowen in relation to the acquisition of an aggregate of 13,752 Shares by China Bowen, details of which are set out in the section entitled “History, Reorganization and the Group Structure”
“China Merchants Securities”	China Merchants Securities (HK) Co., Limited (招商證券(香港)有限公司), a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, acting as one of the joint bookrunners and joint lead managers of the Global Offering
“Chinese government” or “PRC government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them

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“Colour Cloud Group”	Colour Cloud Group Co., Limited (彩之雲集團有限公司), a limited liability company incorporated in the British Virgin Islands on June 14, 2012 and our indirect wholly owned subsidiary
“Colour Cloud Group (HK)”	Colour Cloud Group (HK) Co., Limited (彩之雲集團(香港)有限公司), a limited liability company incorporated in Hong Kong on June 25, 2012 and our indirect wholly owned subsidiary
“Colour Cloud Holdings”	Colour Cloud Holdings Group Co., Limited (彩之雲控股集團有限公司), a limited liability company incorporated in the Cayman Islands on June 8, 2012 and our direct wholly owned subsidiary
“Colour Life Service Group (HK)”	Colour Life Service Group (HK) Co., Limited (彩生活服務集團(香港)有限公司), a limited liability company incorporated in Hong Kong on November 8, 2007 and our direct wholly owned subsidiary
“Colour Pay Group”	Colour Pay Group Co., Limited (彩付寶集團有限公司), a limited liability company incorporated in the British Virgin Islands on June 14, 2012 and our indirect wholly owned subsidiary
“Colour Pay Group (HK)”	Colour Pay Group (HK) Co., Limited (彩付寶集團(香港)有限公司), a limited liability company incorporated in Hong Kong on June 25, 2012 and our indirect wholly owned subsidiary
“Colour Pay Treasure”	Colour Pay Treasure Holdings Group Co., Limited (彩付寶控股集團有限公司), a limited liability company incorporated in the Cayman Islands on June 8, 2012 and our direct wholly owned subsidiary
“Colour Success”	Colour Success Limited (蔚成有限公司), a limited liability company incorporated in the British Virgin Islands on June 6, 2013 and is owned as to 43.34% by Mr. Tang Xuebin (唐學斌) (an Executive Director), as to 13.33% by Mr. Ye Hui (葉暉) (one of the members of our senior management), as to 13.33% by Mr. Guan Jiandong (關建東) (one of the members of our senior management), as to 13.33% by Mr. Dong Dong (董東) (an Executive Director), as to 13.33% by Mr. Chang Rong (昌榮) (one of the members of our senior management) and as to 3.34% by Mr. Wang Xuliang (王旭良)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time

DEFINITIONS

“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” and “our Company”	Colour Life Services Group Co., Limited (彩生活服務集團有限公司) (formerly known as Colour Life Services Group Co., Ltd.), a company incorporated as an exempted company with limited liability in the Cayman Islands on March 16, 2011
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contract Law” or the “PRC Contract Law”	the Contract Law of the PRC (《中華人民共和國合同法》), which was enacted by the Ninth National People’s Congress of the PRC on March 15, 1999 and became effective on October 1, 1999
“contracted GFA”	GFA managed by the Group under operating property management contracts or covered under our consultancy service arrangements
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中華人民共和國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Deed of Indemnity”	the deed of indemnity dated June 11, 2014 given by Fantasia Holdings in favor of our Company (for itself and as trustee for each of its subsidiaries) in respect of amongst others, taxation and other claims referred in the section entitled “Statutory and General Information — E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated June 11, 2014 given by Fantasia Holdings in favor of our Company as detailed in the section entitled “Relationship with Controlling Shareholder — Deed of Non-competition”
“Director(s)”	director(s) of our Company
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), which came into effect on January 1, 2008
“Executive Director(s)”	executive director(s) of our Company

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“Fantasia Group”	Fantasia Holdings and its subsidiaries
“Fantasia Group (China)”	Fantasia Group (China) Co., Ltd. (花樣年集團(中國)有限公司), a limited liability company established in the PRC on January 20, 2006 (formerly known as Shenzhen Fantasia Technology Co., Ltd. (深圳市花樣年科技有限公司) and Shenzhen Fantasia Group Co., Ltd. (深圳市花樣年集團有限公司)) and a wholly owned subsidiary of Fantasia Holdings
“Fantasia Holdings”	Fantasia Holdings Group Co., Limited (花樣年控股集團有限公司) (stock code 1777), a limited liability company incorporated in the Cayman Islands on October 17, 2007 and the shares of which are listed on the main board of the Stock Exchange. It will directly hold approximately 50.40% of the issued share capital of the Company immediately upon completion of the Global Offering and the Capitalization Issue
“Fantasia Shareholders”	holders of the Fantasia Shares
“Fantasia Shares”	shares of a par value of HK\$0.10 each in the share capital of Fantasia Holdings
“Fantasy Pearl”	Fantasy Pearl International Limited, a limited liability company incorporated in the British Virgin Islands on July 12, 2007 and is owned as to 80% by Ice Apex and as to 20% by Graceful Star; Ice Apex and Graceful Star being ultimately wholly owned by Ms. Zeng Jie, Baby (曾寶寶), one of our Controlling Shareholders and Mr. Pan Jun (潘軍), a Non-executive Director
“First Shanghai”	First Shanghai Securities Limited (第一上海證券有限公司), a company incorporated in Hong Kong with limited liability on November 16, 2001 and one of our Shareholders which is owned as to 99.999999% by First Shanghai Financial Holding Limited and 0.000001% by First Shanghai Nominees Limited, both are Independent Third Parties. It will directly hold approximately 2.5% of the issued share capital of the Company immediately upon Global Offering and the Capitalization Issue. It is also a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, acting as one of the joint bookrunners and joint lead managers of the Global Offering

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“First Shanghai Subscription Agreement”	a share subscription agreement dated May 29, 2013 entered into between our Company and First Shanghai in relation to the subscription of an aggregate of 69,760 Shares by First Shanghai on behalf of 12 other investors, details of which are set out in the section entitled “History, Reorganization and the Group Structure”
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Graceful Star”	Graceful Star Overseas Limited, a limited liability company incorporated in the British Virgin Islands on August 3, 2007 and is wholly owned by Mr. Pan Jun (潘軍), a Non-executive Director
“GREEN application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group,” “our Group,” “we” or “us”	our Company and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it
“Guilin Tongji Building Technologies”	Guilin Tongji Building Technology Engineering Installation Co., Ltd. (桂林市同濟樓宇科技工程安裝有限公司), a limited liability company established in the PRC on April 24, 2001 and a joint venture of our Group, is owned as to 50% by Shenzhen Kaiyuan Tongji and 50% by Guilin Zhenan Property Service Co., Ltd. (桂林市振安物業服務有限公司)
“Guotai Junan Capital”	Guotai Junan Capital Limited (國泰君安融資有限公司), a corporation licensed under the SFO permitted to carry on Type 6 (advising on corporate finance) regulated activity, acting as one of the joint sponsors of the Listing
“Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited (國泰君安證券(香港)有限公司), a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, acting as one of the joint global coordinators, joint bookrunners and joint lead managers of the Global Offering

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“Heyuan Colour Life Property Management”	Heyuan Colour Life Property Management Co., Ltd. (河源市彩生活物業管理有限公司) (formerly known as Heyuan Huada Property Management Co., Ltd. (河源市華達物業管理有限公司)), a limited liability company established in the PRC on June 12, 2002 and our indirect wholly owned subsidiary
“HK\$” and “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Kangnian Trading”	Hong Kong Kangnian Trading Company Limited (香港康年貿易有限公司), a limited liability company incorporated in Hong Kong on September 24, 2009 and an indirect subsidiary of Fantasia Holdings
“Hong Kong Offer Shares”	25,000,000 Offer Shares being initially offered by our Company pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section entitled “Structure of the Global Offering”
“Hong Kong Public Offering”	the offer for subscription of Offer Shares to the public in Hong Kong (subject to adjustment as described in the section entitled “Structure of the Global Offering”) at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section entitled “Structure of the Global Offering”
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section entitled “Underwriting — Hong Kong Underwriters”

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“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 16, 2014 relating to the Hong Kong Public Offering entered into between, among others, our Company, Fantasia Holdings, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters as further described in the section entitled “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering”
“Huizhou Youlin Property Management”	Huizhou Youlin Property Management Co., Ltd. (惠州市友鄰物業管理有限公司), a limited liability company established in the PRC on June 13, 2008 and our indirect wholly owned subsidiary
“Ice Apex”	Ice Apex Limited, a limited liability company incorporated in the British Virgin Islands on July 12, 2007 and is wholly owned by Ms. Zeng Jie, Baby (曾寶寶), one of our Controlling Shareholders
“ICP”	Internet Content Provider
“ICP License”	the license for the provision of value-added telecommunications services, as issued and administered by the MIIT or its provincial level counterparts (中華人民共和國電信與信息服務業務經營許可證)
“Independent Non-executive Director(s)”	independent non-executive director(s) of our Company
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not a director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company or any of our subsidiaries, or an associate (within the meaning of the Listing Rules) of any of such director, chief executive or substantial shareholder
“International Offer Shares”	225,000,000 Offer Shares being initially offered by our Company pursuant to the International Offering, subject to reallocation as described in the section entitled “Structure of the Global Offering”
“International Offering”	the offer of International Offer Shares at the Offer Price outside the United States in offshore transactions as defined in and in accordance with Regulation S, as further described in the section entitled “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Offering, being parties to the International Underwriting Agreement

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“International Underwriting Agreement”	the underwriting agreement relating to the International Offering, which is expected to be entered into between, among others, our Company, Fantasia Holdings, the Joint Global Coordinators and the International Underwriters on or around June 20, 2014 as further described in the section entitled “Underwriting — Underwriting Arrangements and Expenses — The International Offering”
“Joint Global Coordinators”	Merrill Lynch International and Guotai Junan Securities
“Joint Bookrunners”	Merrill Lynch International, Guotai Junan Securities, China Merchants Securities and First Shanghai
“Joint Lead Managers”	Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering only), Merrill Lynch International (in relation to the International Offering only), Guotai Junan Securities, China Merchants Securities and First Shanghai
“Joint Sponsors”	Merrill Lynch Far East Limited and Guotai Junan Capital
“Latest Practicable Date”	June 11, 2014, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange, expected to be on or about June 30, 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association”	the memorandum of association of our Company that was adopted on June 11, 2014

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“Merrill Lynch Far East Limited”	Merrill Lynch Far East Limited (美林遠東有限公司), a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities, acting as one of the joint bookrunners, joint lead managers (in relation to the Hong Kong Public Offering only) and joint sponsors under the Global Offering
“MHRSS”	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國國家工業和信息化部)
“Ministry of Land and Resources”	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
“MOF”	the PRC Ministry of Finance (中華人民共和國財政部)
“MOFCOM”	the PRC Ministry of Commerce (中華人民共和國商務部)
“MOHURD”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中國建設部)
“MPS”	the Ministry of Public Security of the PRC (中華人民共和國公安部)
“Nanjing Huitao Property Management”	Nanjing Huitao Property Management Service Co., Ltd. (南京慧韜物業管理服務有限公司), a limited liability company established in the PRC on September 29, 2006 and our indirect non-wholly owned subsidiary, is owned as to 90% by Shenzhen Colour Life and 10% by Mr. Wu Tao (吳濤)
“Nanjing Jinjiang Property Management”	Nanjing Jinjiang Property Management Co., Ltd. (南京錦江物業管理有限公司), a limited liability company established in the PRC on June 26, 2001 and our indirect non-wholly owned subsidiary, is owned as to 90% by Shenzhen Colour Life and as to 10% by Mr. Yu Youzhong (俞有忠)
“Nanjing Mingcheng Property Management”	Nanjing Mingcheng Property Management Co., Ltd. (南京名城物業管理有限公司), a limited liability company established in the PRC on May 30, 2002 and our indirect non-wholly owned subsidiary, is owned as to 90% by Shenzhen Colour Life and as to 10% by Mr. Huang Jianxin (黃建新)
“National People’s Congress”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會) and its Standing Committee

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“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Non-executive Director(s)”	non-executive director(s) of our Company
“Novel Era”	Novel Era Holdings Limited (通天控股有限公司), a limited liability company incorporated in Hong Kong on November 16, 2012 and our indirect wholly owned subsidiary
“Offer Price”	the final offer price per Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%) of not more than HK\$4.60 and expected to be not less than HK\$3.30 at which the Hong Kong Offer Shares are to be subscribed for and issued pursuant to the Global Offering, such price to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares (including, for the avoidance of doubt, the Reserved Shares)
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pingdingshan Longkang Property Service”	Pingdingshan Longkang Property Service Co., Ltd. (平頂山市隆康物業服務有限公司), a limited liability company established in the PRC on June 12, 2010 and our indirect non-wholly owned subsidiary, is owned as to 70% by Shenzhen Colour Life and 30% by Ms. Gong Yanru (龔燕如)
“PRC,” “China” or the “People’s Republic of China”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Preferential Offering”	the preferential offering to the Qualifying Fantasia Shareholders of 25,000,000 Offer Shares (representing 10.0% of the Offer Shares being offered under the Global Offering) as Assured Entitlement (without taking into account any Shares which may be issued and allotted pursuant to the exercise of options under the Share Option Scheme) as further described in the section entitled “Structure of the Global Offering – The Preferential Offering” and subject to the terms and conditions stated in this prospectus and in the BLUE Application Form

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“Pre-IPO Investments”	the investments made by First Shanghai and China Bowen in our Group pursuant to the First Shanghai Subscription Agreement and the China Bowen Subscription Agreement, details of which are set out in the section entitled “History, Reorganization and the Group Structure”
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Underwriters) and the Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around June 20, 2014 (Hong Kong time) but no later than June 26, 2014, on which the Offer Price is to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters)
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“pure commercial properties”	commercial properties including serviced apartments, office buildings, retail complexes and hotels
“Qinhuangdao Hongtianyuan Property Service”	Qinhuangdao Hongtianyuan Property Service Co., Ltd. (秦皇島市宏添源物業服務有限公司) (formerly known as Qinhuangdao Hongtianyuan Property Management Co., Ltd. (秦皇島市宏添源物業管理有限公司)), a limited liability company established in the PRC on October 26, 2005 and our indirect non-wholly owned subsidiary, is owned as to 51% by Shenzhen Colour Life, 29.4% by Ms. Liu Tong (劉彤) and 19.6% Ms. Liu Li (劉莉)
“Qualifying Fantasia Shareholders”	holders of the shares of Fantasia Holdings, whose names appear on the register of members of Fantasia Holdings as of 4:30 p.m. on the Record Date
“Record Date”	June 9, 2014, being the record date for ascertaining the Assured Entitlement
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization arrangements we have undergone in preparation for the Listing which are more particularly described in the section entitled “History, Reorganization and the Group Structure”

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“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by the Shareholders, particulars of which are set forth in the paragraph headed “Statutory and General Information — A. Further information about Our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on June 11, 2014” in Appendix IV to this prospectus
“Reserved Shares”	25,000,000 Shares offered pursuant to the Preferential Offering at the Offer Price to the Qualifying Fantasia Shareholders, representing 10.0% of the Offer Shares being offered under the Global Offering (without taking into account any Shares which may be issued and allotted pursuant to the exercise of options under the Share Option Scheme)
“residential communities”	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties
“Retained Group”	Fantasia Holdings and its subsidiaries (excluding our Company and our subsidiaries)
“revenue-bearing GFA”	contracted GFA in relation to which the collection of property management fees has started
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“Shaanxi Colour Life Property Management”	Shaanxi Colour Life Property Management Co., Ltd. (陝西彩生活物業管理有限公司) (formerly known as Shaanxi Colour Life Community Service Co., Ltd. (陝西彩生活社區服務有限公司) and Shaanxi Yironghua Property Management Co., Ltd. (陝西怡榮華物業管理有限公司)), a limited liability company established in the PRC on March 25, 2009 and our indirect non-wholly owned subsidiary, is owned as to 51% by Shenzhen Colour Life as to 25% by Mr. Zhang Hua (張華), as to 12% by Mr. Zhang Xiangrong (張向榮) and as to 12% by Ms. Yin Jingyi (殷敬怡)
“Shaanxi Liantang Property Service”	Shaanxi Liantang Property Service Co., Ltd. (陝西蓮塘物業服務有限公司) (formerly known as Shaanxi Zhongqiang Property Management Co., Ltd. (陝西中強物業管理有限公司)), a limited liability company established in the PRC on September 8, 2003 and our indirect wholly owned subsidiary
“Shanghai Xinzhou Property Management”	Shanghai Xinzhou Property Management Co., Ltd. (上海欣周物業管理有限公司), a limited liability company established in the PRC on September 21, 1999 and our indirect non-wholly owned subsidiary, is owned as to 70% by Shenzhen Colour Life, 13.33% by Mr. Mao Yiqing (毛逸清) and 16.67% by Shanghai Zhoupu Asset Management Co., Ltd. (上海周浦資產管理有限公司)
“Shanghai Xinzhou Yipu”	Shanghai Xinzhou Yipu Property Management Co., Ltd. (上海欣周逸浦物業管理有限公司), a limited liability company established in the PRC on September 26, 2011 which is wholly owned by Shanghai Xinzhou Property Management
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of HK\$0.10 each
“Share Option Scheme”	the share option scheme our Company conditionally adopted on June 11, 2014, the principal terms of which are summarized in the section entitled “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Shenyang Jixiang Baite Property Service”	Shenyang Jixiang Baite Property Service Co., Ltd. (瀋陽吉祥百特物業服務有限公司), a limited liability company established in the PRC on September 29, 2011 and our indirect non-wholly owned subsidiary, is owned as to 51% by Shenzhen Colour Life Property Management, as to 40% by Mr. Lan Tao (蘭濤) and as to 9% by Mr. Lan Shihai (蘭仕海)

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“Shenzhen Ancaihua Energy Investment”	Shenzhen Ancaihua Energy Investment Co., Ltd. (深圳市安彩華能源投資有限公司), a limited liability company established in the PRC on November 29, 2011 and our indirect non-wholly owned subsidiary, is owned as to 51% by Shenzhen Kaiyuan Tongji and as to 49% by Shenzhen Anmeihua Lighting Co., Ltd. (深圳市安美華照明有限公司)
“Shenzhen Caizhiyun Network”	Shenzhen Caizhiyun Network Technology Co., Ltd (深圳市彩之雲網絡科技有限公司), a limited liability company established in the PRC on April 11, 2013 and is owned as to 70% by Mr. Pan Jun (潘軍), a Non-executive Director and as to 30% by Mr. Tang Xuebin (唐學斌), an Executive Director, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Structured Contracts
“Shenzhen Colour Life”	Shenzhen Colour Life Services Group Company Limited (深圳市彩生活服務集團有限公司) (formerly known as Shenzhen Fantasia Colour Life Services Technology Company Limited (深圳市花樣年彩生活科技有限公司)), a limited liability company established in the PRC on August 25, 2006 and our indirect wholly owned subsidiary
“Shenzhen Colour Life Community Technology”	Shenzhen Colour Life Community Technology Service Co., Ltd. (深圳市彩生活社區科技服務有限公司), a limited liability company established in the PRC on March 11, 2013 and our indirect wholly owned subsidiary
“Shenzhen Colour Life Network Service”	Shenzhen Colour Life Network Service Co., Ltd. (深圳市彩生活網絡服務有限公司), a limited liability company established in the PRC on June 12, 2007 and our indirect wholly owned subsidiary
“Shenzhen Colour Life Property Management”	Shenzhen Colour Life Property Management Co., Ltd. (深圳市彩生活物業管理有限公司) (formerly known as Shenzhen Xingyan Property Management Co., Ltd. (深圳市星彥物業管理有限公司) or Shenzhen Fantasia Property Management Co., Ltd. (深圳市花樣年物業管理有限公司)), a limited liability company established in the PRC on December 11, 2000 and our indirect wholly owned subsidiary
“Shenzhen Colour Life Qingjie Service”	Shenzhen Colour Life Caihong Qingjie Service Co., Ltd. (深圳市彩生活彩虹清潔服務有限公司), a limited liability company established in the PRC on June 17, 2011 and owned by an Independent Third Party
“Shenzhen Hongwei Decoration”	Shenzhen Hongwei Decoration & Designing Company Limited (深圳宏威裝飾設計工程有限公司), a limited liability company established in the PRC on May 25, 1994 and an indirect wholly owned subsidiary of Fantasia Holdings

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“Shenzhen Huigang Property Management”	Shenzhen Huigang Property Management Co., Ltd. (深圳市匯港物業管理有限責任公司), a limited liability company established in the PRC on April 12, 2002 and our indirect non-wholly owned subsidiary, is owned as to 75% by Shenzhen Colour Life and as to 25% by Mr. Ai Yong (艾永)
“Shenzhen Huiheng Real Estate”	Shenzhen Huiheng Real Estate Company Limited (深圳市匯恒置業有限公司), a limited liability company established in the PRC on April 20, 2006 and an indirect wholly owned subsidiary of Fantasia Holdings
“Shenzhen Kaiyuan Tongji”	Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. (深圳市開元同濟樓宇科技有限公司) (formerly known as Shenzhen Zhonghai Tongji Building Technology Co., Ltd. (深圳市中海同濟樓宇科技有限公司)), a limited liability company established in the PRC on November 15, 2001 and our indirect wholly owned subsidiary
“Shenzhen Kangnian Technology”	Shenzhen Kangnian Technology Company Limited (深圳市康年科技有限公司), a limited liability company established in the PRC on February 9, 2007 and an indirect wholly owned subsidiary of Fantasia Holdings
“Shenzhen Qianhai Caifubao”	Shenzhen Qianhai Caifubao Network Technology Co., Ltd (深圳市前海彩付寶網絡技術有限公司), a limited liability company established in the PRC on May 7, 2013 and our indirect wholly owned subsidiary
“Shenzhen Qianhai Caizhiyun”	Shenzhen Qianhai Caizhiyun Network Technology Co., Ltd. (深圳市前海彩之雲網絡科技有限公司), a limited liability company established in the PRC on April 22, 2013 and our indirect wholly owned subsidiary
“Shenzhen Robert Housekeeper”	Shenzhen Robert Housekeeper Property Management Co., Ltd. (深圳市羅伯特管家物業管理有限公司), a limited liability company established in the PRC on April 9, 2002 and is owned by Independent Third Parties
“Shenzhen Xingyanhang Real Estate”	Shenzhen Xingyanhang Real Estate Co., Ltd. (深圳市星彥行置業有限公司), a limited liability company established in the PRC on April 23, 2007 and our indirect non-wholly owned subsidiary, is owned as to 92.65% by Shenzhen Colour Life and as to 7.35% by Ms. Lu Ying (路瑩)

DEFINITIONS

“Shenzhen Yuezhong Property Management”	Shenzhen Yuezhong Property Management Co., Ltd. (深圳市越眾物業管理有限公司), a limited liability company established in the PRC on January 11, 1993 and our indirect non-wholly owned subsidiary, is owned as to 50% by Shenzhen Colour Life, as to 40% by Shenzhen Yuezhong (Group) Co., Ltd. (深圳市越眾(集團)股份有限公司) and as to 10% by Shenzhen Pengzhu Car Repair Factory (深圳市鵬竹汽車修配廠)
“Splendid Fortune”	Splendid Fortune Enterprise Limited, a limited liability company incorporated in the British Virgin Islands on April 21, 2011 and is a direct wholly owned subsidiary of Colour Success. It will directly hold approximately 21.60% of the issued share capital of our Company immediately upon completion of the Global Offering and the Capitalization Issue
“sq.m.”	square meters
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed to it in the Listing Rules
“TCL (HK)”	T.C.L. Industries Holdings (H.K.) Limited (T.C.L.實業控股(香港)有限公司), a limited liability company incorporated in Hong Kong and a wholly owned subsidiary of TCL Corporation (TCL集團股份有限公司)
“Tieling Zhengnan Property Management”	Tieling Zhengnan Property Management Co., Ltd. (鐵嶺正南物業管理有限公司), a limited liability company established in the PRC on March 18, 2008 and our indirect non-wholly owned subsidiary, is owned as to 51% by Shenzhen Colour Life and 49% by Liaoning Zhengnan Real Estate Development Co., Ltd. (遼寧正南房地產開發有限公司)
“Tong Yuan”	Tong Yuan Holdings Limited (通源控股有限公司), a limited liability company incorporated in the British Virgin Islands on December 3, 2012 and our direct wholly owned subsidiary
“Track Record Period”	the period comprising the three years ended December 31, 2013
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Person”	any national or resident of the United States, or any corporation, pension, profit-sharing or other trust or other entity organized under the laws of the United States or of any political subdivision thereof (other than a branch located outside the United States of any United States Person), and shall include any United States branch of a person who is otherwise not a United States Person
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“White Form eIPO”	the application process for Hong Kong Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wuxi Pearl Garden”	Wuxi Pearl Garden Co., Ltd. (無錫市明珠園藝有限責任公司), a limited liability company established in the PRC on September 24, 1999 and our indirect non-wholly owned subsidiary
“Wuxi Taihu Property Management”	Wuxi Taihu Garden Property Management Co., Ltd. (無錫市太湖花園物業管理有限責任公司), a limited liability company established in the PRC on September 8, 1997 and our indirect non-wholly owned subsidiary
“Yahao Technology”	Yahao Technology Development (Shenzhen) Company Limited (雅浩科技發展(深圳)有限公司), a limited liability company established in the PRC on August 25, 2005 and an indirect wholly owned subsidiary of Fantasia Holdings
“YELLOW Application Form(s)”	the application form for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS

DEFINITIONS

Unless the context otherwise requires, references to “2011,” “2012” and “2013” in this prospectus refer to our financial year ended December 31 of such year.

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC government authorities or the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purposes only.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements, including, without limitation, words and expressions such as “expect,” “believe,” “plan,” “intend,” “estimate,” “project,” “anticipate,” “seek,” “may,” “will,” “would” and “could” or similar words or statements, or their negatives, in particular, in the sections entitled “Business” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

- our business and operating strategies and our ability to implement such strategies;
- our ability to reduce costs;
- our ability to develop our community leasing, sales and other services as planned;
- expected growth of any changes in the PRC real estate industry and residential property management industry;
- our dividend distribution plans;
- our capital commitment plans;
- future developments and the competitive environment in the PRC property management industry;
- the general economic trend of the PRC and, in particular, the cities in which we operate;
- capital market development;
- the regulatory environment in terms of changes in laws and PRC government regulations, policies and approval processes in the regions where we operate as well as the general industry outlook for the PRC property management industry; and
- exchange rate fluctuations and restrictions.

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. Our business, financial position and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may fail to recover all payments on behalf of residents

When we are contracted to manage communities on a commission basis, we essentially act as an agent of the property owners. 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. Similarly, management offices of the residential communities we provide consultancy services to have no separate bank accounts, and we provide treasury function services to them to help them settle their transactions. 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 or payments on behalf of residents for residential communities under consultancy service arrangements, as the case may be.

Management estimation is required to determine whether the management offices have the ability to settle the payments on behalf of residents. We take into consideration a number of indicators to determine whether there is any objective evidence of impairment loss on payments on behalf of residents, 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. Except for communities for which we plan to terminate the related property management contracts through non-renewal due to their inability to meet our performance expectations, we also assume, based on our operational history, that we will be able to either renew the relevant contracts or continue to manage them beyond the expiration dates of the related property management contracts on similar terms. Some of the payments on behalf of residents may have lower recoverability if the relevant communities have poor financial performance. For instance, if a significant number of communities consistently carry account payables which are significantly higher than their receivables on the management office level, their financial and liquidity positions may deteriorate, which in turn may affect the recoverability of our payments on behalf of residents attributable to them. In addition, during the Track Record Period, we terminated 38 contracts relating to communities we managed on a commission basis. For the balances that our management believes may not be recovered within a reasonable time frame, we had allowance for doubtful debts of RMB4.2 million, RMB6.6 million and RMB12.5 million as of December 31, 2011, 2012 and 2013, respectively. For further information on impairment of payments on behalf of residents, please see the section entitled "Financial Information — Critical Accounting Policies, Estimates and Judgments — Critical Accounting Judgments and Estimates — Estimated impairment of payments on behalf of residents." Although our management's estimation or the related assumptions have been made in accordance with information available to us currently, such estimation or assumptions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past allowance for doubtful debt becomes insufficient in light of new information, we may need to make more allowance for doubtful debt, which may in turn materially and adversely affect our business, financial position and results of operations.

RISK FACTORS

As of December 31, 2011, 2012 and 2013, we had net balances of payments on behalf of residents of RMB19.7 million, RMB46.1 million and RMB44.0 million, respectively, attributable to 177, 149 and 187 communities, respectively. As of December 31, 2013, we also had a net balance of payments on behalf of residents for residential communities under consultancy service arrangements of RMB2.9 million, attributable to 11 communities. Although we have begun to implement a series of measures aiming to improve property management fee collection rates and to reduce costs at the relevant communities, there is no guarantee that we may maintain or improve the recoverability of our payments on behalf of residents, or that the financial performance of the communities will maintain or improve. There can be no assurance that payments on behalf of residents will not increase in the future, especially in light of our growth and geographic expansion. A substantial increase in the payments on behalf of residents and impairment loss from the same could materially and adversely affect our business, financial position and results of operations.

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

According to China Index Academy, the average headcount of the top 100 property management companies was 2,973 and 3,024, respectively, as of the end of 2011 and 2012, and concurrent with the growing headcount, average labor costs also increased. In 2011, 2012 and 2013, labor costs and sub-contracting costs represented 66.7%, 70.3% and 74.7%, respectively, of our total cost of sales and services. To maintain and improve our profit margins, it is critical for us to effectively control and reduce our labor as well as other operating costs. We face pressure of increase in our labor cost from various aspects, including but not limited to:

- increase in minimum wage. Minimum wages across China are set at the regional or district level based largely on standards determined by relevant provincial, municipal and autonomous region governments. The minimum wage in the regions and districts in which we operate has increased substantially in recent years, impacting directly on our direct labor costs as well as the fees we pay to our third-party sub-contractors. For further information on minimum wage, please see the section entitled “Industry Overview — Property Management Industry in the PRC — Overview of the PRC Property Management Industry — Traditional Labor Intensive Property Management Services”;
- increase in headcount. As we expand our operations, the headcount of our sales and marketing as well as administrative staff will continue to grow. We will also need to retain and continuously recruit qualified employees to meet our growing demand for talents, which will also increase our total headcount; and
- delay in implementing standardization, centralization and automation. There is a lapse in time between our commencement of management services and implementation of our standardization, centralization and automation strategy to reduce labor costs. Before we implement such strategy, our ability to mitigate the impact of labor cost increase is limited.

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

RISK FACTORS

Our future growth may not materialize as planned, and failure to manage any future growth effectively may have a material adverse effect on our business, financial position and results of operations

We have been expanding our business in recent years through organic growth as well as acquisitions of regional property management companies. As of December 31, 2011, 2012 and 2013, residential communities which we were contracted to manage occupied an aggregate GFA of 18.0 million sq.m., 32.3 million sq.m. and 63.3 million sq.m., respectively, representing a CAGR of 87.5% from December 31, 2011 to December 31, 2013. As of December 31, 2011, 2012 and 2013, the number of residential communities we were contracted to manage were 212, 278 and 436, respectively, representing a CAGR of 43.4% from December 31, 2011 to December 31, 2013. We seek to continue to expand through increasing the total contracted GFA and the number of residential communities we are contracted to manage in existing and new markets. Please see the section entitled “Business — Our Business Strategies — Further increase the total GFA and the number of residential units we manage in existing and new markets to enhance the reach of our service platform and increase our revenue.” However, our expansion is based upon our forward-looking assessment of market prospect. We cannot assure you that our assessment will always turn out to be correct or we can grow our business as planned. Our expansion plans may be affected by a number of factors beyond our control. Such factors include change in China’s economic condition in general and real estate market in particular, government regulation, change in supply and demand for our services, as well as our ability to obtain sufficient financing for our expansion efforts.

To succeed in our business expansion, we will need to recruit and train new managers and other employees, select third-party sub-contractors and suppliers, and continue to build our operations and reputation and understand the needs and preference of the residents in the residential communities we manage or provide consultancy services to within a relatively short period of time.

We may have limited knowledge of the local property management service markets or have little or no prior business experience in the new markets that we will expand into. In addition, we may face difficulties in adapting to the administrative, regulatory and tax environments in new markets, which could be substantially different from those in our established markets. We may not have the same level of familiarity with local business practices or relationships with local vendors, third-party sub-contractors, suppliers and other business partners as we do in our established markets. We may have limited ability to leverage our brand name in new markets in the way that we have done so in our established markets, and may face more intense competition from established residential property management companies or property developers that manage their own properties in those new markets.

Furthermore, our future growth depends on our management’s ability to improve our administrative, technical, operational and financial infrastructure. Our ability to grow also depends on our ability to successfully hire, train, supervise and manage additional officers and employees, generate sufficient liquidity internally or obtain external financing for our capital needs, replicate our business model, allocate our human resources and manage our relationships with a growing number of customers, suppliers and other business partners. There can be no assurance that our future growth will materialize and that we will be able to manage our future growth effectively, and failure to do so would have a material adverse effect on our business, financial position and results of operations.

RISK FACTORS

Our future acquisitions may not be successful and we may face difficulties in integrating acquired operations with our existing business

We plan to continue to evaluate opportunities to acquire regional residential property management companies and integrate their operations into our business. However, there can be no assurance that we will be able to identify suitable opportunities. Acquisitions involve uncertainties and risks, including, without limitation:

- potential ongoing financial obligations and unforeseen or hidden liabilities;
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities; and
- diversion of resources and management attention.

Even if we do identify suitable opportunities, we may not be able to complete the acquisitions on terms acceptable to us, in a timely matter, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

Furthermore, we may face difficulties in integrating acquired operations with our existing business, particularly when integrating the existing workforce of regional property management with companies we may acquire. Such difficulties could disrupt our ongoing business, distract our management and employees or increase our expenses, any of which could materially and adversely affect our business, financial position and results of operations.

Our community leasing, sales and other services segment may not grow as planned

We plan to focus on growing our community leasing, sales and other services segment by expanding the coverage of our service platform, improving the integration of offline and online services and further developing the Colour Life website. For further information on our community leasing, sales and other services, please see the section entitled “Business — Our Community Leasing, Sales and Other Services.” However, there is no assurance that we could grow our community leasing, sales and other services segment as planned.

We need to recruit qualified employees with relevant experience to grow our community leasing, sales and other services segment. As the market is competitive, there is no assurance that we will be able to recruit sufficient number of qualified employees to support our growth plan. In addition, the development of community leasing, sales and other services segment heavily relies on our ability to identify suitable products and services to be marketed and sold on our service platform as well as our ability to develop effective marketing strategy to increase the market penetration. See the paragraph entitled “— The Colour Life website is an evolving platform which may fail to attract and/or retain sufficient interest from residents or local vendors” below. Furthermore, in order to develop our community leasing, sales and other services segment, we need to keep pace with the development of information technology and find suitable software companies that can fulfill our business needs and translate our ideas on the presentation, function and features of our online platform into computer programming. Although there are various software companies in the market, there is no assurance we will be able to engage the suitable one at reasonable cost, if at all.

RISK FACTORS

Moreover, it is our goal to expand the functionality of the Colour Life website and its mobile application to increase accessibility, improve user experience and offer more community leasing, sales and other services. As of the Latest Practicable Date, however, we have not made any concrete decision to implement any short-term plan towards achieving such goal. As such, our current planning may be changed or certain community leasing, sales and other services we plan to offer may not be realized due to changes in demand from residents and market trends, and the related costs incurred may not be recovered.

Termination or non-renewal of our property management services to a significant number of communities could have a material adverse effect on our business, financial position and results of operations

We generate a significant portion of our revenue from property management services performed under our property management contracts. In 2011, 2012 and 2013, revenue generated from our property management services constituted 51.1%, 53.4% and 58.7%, respectively, of our total revenue. Our property management contracts with the property developers or property owners' associations generally have terms of approximately one to five years and may be terminated for cause, and a significant number of them will expire in 2014 and 2015. See the section entitled "Business — Our Property Management Services — Expiration Schedule for Property Management Contracts." There can be no assurance that any such contract will not be terminated prior to expiration or will be renewed when their terms expire. Termination or non-renewal of a significant number of management contracts could have a material and negative impact on our revenue from property management services.

Moreover, during the Track Record Period, we continued to provide services to certain communities and properties despite the relevant property management contracts had expired. As of December 31, 2011, 2012 and 2013, we provided services to 65, 84 and 136 residential communities and pure commercial properties, respectively, under such arrangements. In 2013, revenue generated from providing property management services to such 136 residential communities and pure commercial properties was RMB35.5 million. As this type of work relationship may be unilaterally terminated by either party, there is no guarantee that we can continue to provide services and generate revenue from these communities or properties, either by maintaining the current work relationship or through a formal contract. Cessation of providing property management services to a significant number of these communities or properties could have a material and negative impact on our revenue from property management services. In addition, in assessing whether there is any objective evidence of impairment loss on payments on behalf of residents, we have made certain assumptions in our provisioning policy, such as our ability to continue providing services to communities under our management for at least two more years from the end of a reporting period (other than those we decide to cease managing after the relevant property management contracts expire). If this two-year assumption is later proved inaccurate as we cease to provide services to a community within two years, the allowance for doubtful debt for payments on behalf of residents may increase and our financial performance may be adversely affected. For more information, see the section entitled "Financial Information — Description of Certain Items in Statements of Financial Position — Payments/Receipts on Behalf of Residents — Allowance and provisioning policy for payments on behalf of residents."

In addition, the performance and development of our engineering services to residential communities we manage and community leasing, sales and other services segments heavily rely upon the total contracted GFA and the number of residential communities we manage. Therefore, any failure to renew our property management contracts or termination of such contracts could also adversely affect the performance of our engineering services and community leasing, sales and other services segments.

RISK FACTORS

As such, termination or non-renewal of our property management services to a significant number of communities could have a material adverse effect on our business, financial position and results of operations.

The Colour Life website is an evolving platform which may fail to attract and/or retain sufficient interest from residents or local vendors

We believe that the Colour Life website is crucial to our future success. We plan to attract increased usage by residents of the properties we manage or provide consultancy services to and local vendors around such properties. For further information on our planning to enhance the usage of Colour Life website, please see the section entitled “Business — Our Business Strategies — Continue to develop our offline and online service platform and enhance service quality to customers and the usage of the Colour Life website.” However, the Colour Life website is a relatively new platform which is undergoing constant evolution. We regularly seek to introduce different products and services from local vendors on the website. As we may have limited experience with such new products and services, there can be no assurance that residents will respond favorably to them. In addition, we may roll out new website features from time to time, which may present new and significant technical and operational challenges. If the Colour Life website fails to attract or retain sufficient interest from residents or local vendors as planned, they may cease using the website or turn to competing websites. In such an event, we will not be able to successfully develop our community leasing, sales and other services through Colour Life website or introduce more revenue-generating community leasing, sales and other services on the website, and our business, financial position and results of operations could be materially and adversely affected.

System interruption and security risks, including security breaches and identity theft, may result in reduced use by our customers of the Colour Life website, and expose us to the risk of litigation which could negatively affect our financial and operational results and damage our reputation

We may experience occasional system interruptions and delays that make the Colour Life website and its services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which may reduce the attractiveness of the Colour Life website. If we are unable to continue to effectively upgrade our systems and network infrastructure and take other steps to improve the efficiency of our systems, there may be system interruptions or delays and adversely affect our operating results. In addition, our e-commerce businesses are subject to security risks, including security breaches and identity theft. In order to succeed, our e-commerce businesses must be able to provide secured transmission of confidential information over public networks. Any penetration of network security or other misappropriation or misuse of personal information could cause interruptions in the operations of our business and subject us to increased costs, litigation and other liabilities, which could negatively affect our financial and operating results and damage our reputation.

We may face certain credit risks depending on the financial condition of the regional property management companies we entered into consultancy agreements with

As of December 31, 2013, we provided consultancy services to 179 residential communities managed by regional property management companies in the PRC. We also provide the treasury function to the relevant communities. As a result, we have certain receivables relating to our consultancy services, including our consultancy fees receivables, and payments on behalf of residents for residential communities under consultancy arrangements.

RISK FACTORS

Our PRC legal advisor has advised us that our counter-parties are the relevant property management companies from whom we may seek to recover consultancy fees receivable and payments on behalf of residents for residential communities under consultancy arrangements. Consequently, the recoverability of such receivables depends on the financial conditions of the regional property management companies we have entered into the consultancy agreement with. If our counter-parties' financial condition deteriorate, we may have difficulties collecting our receivables, which could in turn have an adverse effect on our business, financial condition, results of operations and prospects. In addition, we paid a regional property management company a deposit of RMB5.3 million as security for our counter-party, given that we manage their working capital from property management fees of the relevant communities through our treasury function. Although the deposit is scheduled to be refunded to us in 2016, there is no guarantee that our counter-party will honor that commitment.

We rely on third-party sub-contractors to perform certain property management and engineering services

We delegate certain property management services (including cleaning, gardening, repair and maintenance services) and engineering services (including equipment installation and equipment upgrade) to third-party sub-contractors, some of whom are individuals. In 2011, 2012 and 2013, our sub-contracting fee to third-party sub-contractors constituted 34.7%, 37.0% and 32.9% of the total cost of sales and services, respectively. We may not be able to monitor their services as directly and efficiently as with our own services. They may take actions contrary to our instructions or requests, or be unable or unwilling to fulfill their obligations. As a result, we may have disputes with our sub-contractors, or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions and potentially expose us to litigation and damage claims. Upon the expiration of our agreements with our current third-party sub-contractors, there can be no assurance that we will be able to renew such agreements or find suitable replacements in a timely manner, on terms acceptable to us, or at all. In addition, if our third-party sub-contractors fail to maintain a stable team of qualified manual labor or have easy access to a stable supply of qualified manual labor, the work process may be interrupted. Any interruption to the third-party sub-contractors' work process may potentially result in a breach of the contract we entered into with our customers. Any of such events could materially and adversely affect our service quality, our reputation, as well as our business, financial position and results of operations.

We charge management fees for certain communities that we manage on a lump sum basis, which could subject us to losses

Residential communities with property management fees charged on a lump sum basis constituted 0.8%, 0.5% and 0.4% of our total number of contracted GFA, as of December 31, 2011, 2012 and 2013, respectively. On a lump sum basis, we were paid management fees for our services regardless of the actual amount of property management expenses we had incurred. In the event that the amount of property management fees we collected is insufficient to cover all the management expenses incurred, we are not entitled to collect the shortfall from property owners' association. As such, we may suffer losses, which could result in a material adverse effect on our profitability, financial position and results of operations.

We are in a highly competitive business with numerous competitors and if we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected

The PRC residential property management industry is highly competitive and fragmented. See the section entitled "Industry Overview — Property Management Industry in the PRC —

RISK FACTORS

Competition — Competitive Landscape.” Our major competitors include large national, regional and local residential property management companies. Competition may intensify as our competitors expand their product or service offerings or as new competitors enter our existing or new markets. We believe that we compete with our competitors on a number of factors, including primarily scale, brand recognition, financial resources, price and service quality. Moreover, the Colour Life website faces competition from other advertising venues, such as e-commerce companies, and our engineering services face competition from other property management companies as well as engineering companies providing similar services. Our competitors may have better track records, longer operating histories and greater financial, technical, sales, marketing, distribution and other resources, as well as greater name recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale, and support of their services. In addition to competition from established companies, emerging companies may enter our existing or new markets. There can be no assurance that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

We believe our current success can be partially attributed to our standardization of operations in providing our property management services. We plan to further refine our service standardization practice to enhance the quality and consistency of our services, improve our on-site service teams’ efficiency and reduce our costs. If we fail to continue to improve our standardization, our competitors may emulate our business model, and we may lose a competitive advantage that has distinguished ourselves from our competitors. If we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected.

Damages to the communal areas of the communities we manage as a result of any natural disasters, intended or unintended actions of residents or other events could adversely affect our business, results of operations and financial position

The communal areas of the communities we manage may be damaged in a variety of ways that are out of our control, including but not limited to natural disasters, residents’ intended or unintended actions, and epidemics, such as severe acute respiratory syndrome. For example, in the event of natural disasters, such as earthquake, typhoon and flood, the communal areas may be materially damaged. Although the special fund for residence maintenance could cover all or part of the cost, there can be no assurance that such fund will be sufficient. If any person purposely or recklessly sets fire or causes flooding in an apartment or communal area, the exterior of the building, corridors and stairways may be damaged, or if a person commits or is suspected of having committed criminal activities within the residential communities, we need to allocate additional resources to assist the police and other governmental authorities on their investigations. In the event of any damage that affects the communal areas, our current residents may be affected and we may have to fix the damages with our own proceeds and then attempt to collect fees from the property owners’ associations to cover our expenses. However, we may face difficulties in collecting such fees from the property owners’ associations.

The additional costs we incur due to damage to the communal areas may increase along with our business growth and geographic expansion. For example, certain areas where we operate may be located on earthquake belt or may be subject to frequent typhoons. Although none of our assets, business, results of operations and financial positions were materially affected during the Track Record Period, we continue to be exposed to such risks that a material number of the properties may suffer damage due to reasons such as natural disasters, epidemics, and residents’ intended or unintended actions.

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

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

Interruption to standardized and centralized operations, which relies on surveillance through remote security camera and toll free service hotline, may adversely affect our business, financial position and results of operations

With the aid of automation devices and our network operations center at our headquarters, we have centralized certain standardized services to our headquarters in Shenzhen by commanding and supervising on-site service teams through remote security camera and receiving requests and feedbacks from residents through our toll free service hotline.

Many factors such as power outage and damage to our equipment may cause interruptions to our centralized remote system and toll free service hotline. If we experience any power outage, our computer system which is a key equipment of our remote surveillance system may not function properly. Our equipment may also be subject to damages caused by unforeseeable events and unexpected natural disasters, such as earthquake, fire or flood, or other similar events. If there is any interruption to our centralized business operation, our business, financial position and results of operation may be materially and adversely affected.

We are subject to the regulatory environment and measures affecting the PRC property management industry

In 2011, 2012 and 2013, we generated approximately 51.1%, 53.4% and 58.7%, respectively, of our revenue from providing property management services primarily to residential communities. Our operations are therefore affected by the regulatory environment and measures affecting the PRC property management industry.

In particular, the fees that property management companies may charge in connection with property management services are strictly regulated and supervised by relevant PRC authorities. The relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of the fees charged in relation to property management services, and such fees may need to follow government guidance prices. Please see the section entitled "Laws and Regulations relating to the Industry — Legal Supervision over the Property Management Sector in the PRC — Fees Charged by Property Management Enterprises." The government-imposed limits on fees, coupled with rising labor and other operating costs, could have a negative impact on property management companies' earnings. If a property is managed on a lump sum basis,

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the property management company may experience a decrease in profit margin. If a property is managed on a commission basis, in the event that the collected fees after deducting the commission are insufficient to cover property management expenses, the property owners are legally responsible for making up for such shortage. In our experience, however, given the stringent governmental regulations on property management fees, together with the difficulties we may face in obtaining the requisite votes at property owners' meetings, it may be impracticable to collect additional property management fees. The property management company may therefore be forced to reduce expenses from other sources, in hope of striking a balance between collected property management fees and expenditures in relation to service provisions, or write off the uncollected payments on behalf of the residents. We cannot assure you that the PRC government regulations on fees and other matters concerning our industry will not continue to have an adverse effect on our business, financial position and results of operations.

We are affected by the PRC government regulations on the PRC real estate industry, which may limit our business growth

We generated a significant portion of our revenue from our property management services segment during the Track Record Period. The performance of our property management services segment is primarily dependent on the total contracted GFA and number of residential communities we manage. As such, our growth in the property management services segment is, and will likely continue to be, affected by the PRC government regulations of the real estate industry. For further information on laws and regulations that are applicable to our business, please see the section entitled "Laws and Regulations relating to the Industry."

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. The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we service. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations.

Our business is significantly influenced by various factors affecting our industry and general economic conditions

Our business, financial position and results of operations are and will continue to be dependent on various factors affecting the property management industries and general economic conditions, most of which are beyond our control. For example, limited flexibility in charging property management fees can adversely affect profit margins in an event of rising labor cost. Furthermore, any economic slowdown, recession or other developments in the PRC social, political, economic or legal environment could result in fewer new property development projects, or a decline in the purchasing power of residents living in the communities we manage or provide consultancy services to, resulting in a lower demand for our services and lower revenue and income contribution for us. As such, our business, financial position and results of operations would be materially and adversely affected.

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Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees and resignation of any member of our senior management would affect our operation

Our continued success is highly dependent upon the efforts of our Executive Directors and other key employees, including Mr. Tang Xuebin (唐學斌), our Executive Director and our chief executive officer, and Mr. Dong Dong, our Executive Director and our chief operating officer, each of whom has more than 15 years of experience in the residential property management industry. If either of them or any of our other key employees leaves and we are unable to promptly hire and integrate a qualified replacement, our business, financial position and results of operations may be materially and adversely affected. For further information on our senior management, please see the section entitled “Directors, Senior Management and Employees.” In addition, the future growth of our business will depend in part on our ability to attract and retain qualified personnel in all aspects of our business, including corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial position and operating results could be materially and adversely affected.

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter

Not all of our property management companies have purchased community management service liability insurance (小區管理意外保險). We cannot assure that our insurance coverage will be sufficient or available to cover damages, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial position and results of operations. See the section entitled “Business — Insurance.”

A significant portion of our operations are concentrated in Southern China, Eastern China, Northwestern China and Southwestern China, and our business could be adversely affected in the event of any adverse developments in government policies or business environment in these regions

We focus on cities with high population in economically developed regions, and a significant portion of our operations are concentrated in Southern China, Eastern China, Northwestern China and Southwestern China. As of December 31, 2011, 2012 and 2013, we managed approximately 17.0 million sq.m., 30.4 million sq.m. and 53.9 million sq.m., respectively, of residential communities in Southern China, Eastern China, Northwestern China and Southwestern China, which accounted for approximately 94.5%, 94.0% and 85.2% of the total contracted GFA of residential communities we managed as of such dates, respectively. As of the same dates, we provided consultancy services to approximately 0.7 million sq.m., 0.7 million sq.m. and 23.9 million sq.m., respectively, of residential communities in Southern China, Eastern China, Northwestern China and Southwestern China, which accounted for approximately 100.0%, 44.2% and 84.7% of the total contracted GFA of residential communities we provided consultancy services to as of such dates, respectively. Due to such concentration, any adverse development in government policies or business environment in these regions will materially and adversely affect our business, financial position and results of operations.

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The expansion of our business may expose us to increased risks of non-compliance with rules and regulations issued by a number of governments at provincial and local levels

As we expand our business operations into new geographic regions and broaden the range of services we perform, we are subject to an increasing number of provincial and local rules and regulations. In addition, because the size and scope of our operations had increased significantly during the Track Record Period, the difficulty of ensuring compliance with the various local property management regulations and the potential for loss resulting from non-compliance have increased. If we fail to comply with the related local regulations, we may be subject to penalties by the competent authorities. The laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that materially increase the costs of compliance, and any failure to comply could result in significant financial penalties which could have a material adverse effect on our business, financial position and results of operations.

We may be involved in legal and other disputes and claims from time to time arising out of our operations

We may, from time to time, be involved in disputes with and subject to claims by property developers or property owners, to whom we provide property management services. Disputes may also arise if they are dissatisfied with our services. Please see the section entitled “Business — Quality Control — Quality Control over Property Management Services.” In addition, property owners may take legal actions against us if they perceive that our services are inconsistent with our service standards contained in the representations and warranties made to such property owners. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties involved in our business, including our third-party sub-contractors, suppliers and employees, or other third parties who sustain injuries or damages while visiting properties under our management. All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs and diversion of resources and management’s attention from our business activities. For instance, in September 2012, Shenzhen Buji Water Supplies Co., Ltd. (深圳市布吉供水有限公司) (“**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. The relevant court has made a notice to a bank to freeze a bank deposit of RMB1.0 million in a bank account of Shenzhen Colour Life Property Management to secure the payment of water fee to Shenzhen Buji. As of the Latest Practicable Date, the outcome of this legal proceeding is yet to be finalized. For more information, see the section entitled “Business — Legal Proceedings and Compliance.” Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

We do not carry product liability insurance and may be exposed to liabilities from disputes involving products and services advertised and sold on our platform

We collaborate with local vendors around the properties we manage or provide consultancy services to attract their advertisements and offering of products and services on our platform, including the Colour Life website. We may therefore become, or may be joined as, a defendant in litigations or administrative proceedings brought against such local vendors by purchasers of such products and services, regulatory authorities or other third parties. These actions could involve claims alleging, among other things, that:

- the quality of the products sold by local vendors fail to conform to required product quality;
- advertisements made on our platform with respect to such local vendors’ products or services are false, deceptive, misleading, libelous, injurious to the public welfare or otherwise offensive;

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- such local vendors' products or services advertised on our platform are defective or injurious and may be harmful to others; and
- such local vendors' marketing, communications or advertising infringe on the proprietary rights of third parties.

In addition, if the products sold through us are deemed by the PRC government authorities to fail to conform to product quality and personal safety requirements in China, we could be subject to PRC regulatory actions. Violation of PRC product quality and safety requirements by third parties' products sold by us may subject us to confiscation of related earnings, penalties or an order to cease sales of the violating products or to cease operations pending rectification. If the offense is determined to be serious, our business license to sell these products could be suspended and we could be subject to investigation and prosecution under the PRC criminal laws. We currently do not carry any product liability insurance coverage. Any product liability claim or governmental regulatory action could be costly and time-consuming. We could be required to pay substantial damages as a result of such claim or action. A material design, manufacturing or quality failure in other parties' products sold by us, safety issues or heightened regulatory scrutiny could each result in a product recall by us and increased product liability claims. Furthermore, customers may not use the products sold by us in accordance with product usage instructions, possibly resulting in customer injury. All of these events could materially harm our brand and reputation and marketability of such products, divert our management's attention and have a material adverse effect on our business, financial position and results of operations.

We may be subject to fines for our failure to register for and/or contribute to social insurance and housing funds on behalf of some of our employees

During the Track Record Period, some of our PRC subsidiaries did not register for and/or fully contribute to certain social insurance funds and housing funds for their employees, including subsidiaries which collect property management fees on a lump sum basis and those which collect property management fees on a commission basis. As for our subsidiaries which collect fees on a lump sum basis, the total of such outstanding contributions amounted to approximately RMB2.5 million as of December 31, 2013, and we have made provisions of RMB1.9 million, RMB1.7 million and RMB2.5 million in our financial statements in respect of such liabilities for 2011, 2012 and 2013, respectively. As for our subsidiaries which collect fees on a commission basis, although under the relevant rules and regulations, it is the owners of the relevant properties, and not our subsidiaries, who are responsible for the payment of employees' social insurance and housing funds, on the basis that such employees have entered into employment contracts with our subsidiaries rather than the relevant property owners, there can be no assurance that in the case of dispute, we would not be found liable by a court or arbitration panel to pay the above fees.

Although we are not aware of any complaints or demands for payment of these contributions from employees, our PRC legal advisor has advised that the relevant PRC authorities may notify us that we are required to complete registration and/or pay the outstanding contributions within a stipulated deadline. In the case we fail to pay the outstanding contributions before the expiry of such deadline, (i) in respect of outstanding social insurance contributions that accumulated prior to July 1, 2011, where payment is not made prior to such deadline, we may be liable to a penalty equal to 0.2% of the outstanding amount calculated daily from the date the relevant insurance funds became payable; and (ii) in respect of outstanding social insurance contributions that accumulated after July 1, 2011, we may be liable to a penalty

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equal to 0.05% of the outstanding amount calculated daily from the date the relevant insurance funds became payable and, if we fail to make such payments in arrears, we may be liable to a fine of one to three times the outstanding contribution amount. In the case we fail to complete housing fund registration and open a housing fund account before the expiry of such deadline, we may be subject to a fine of between RMB10,000 and RMB50,000. In the case we fail to make payments of outstanding housing fund contributions before the expiry of such deadline, we may be subject to an order from the relevant people's court to make such payment.

We may be subject to a penalty from the PBOC or an adverse judicial ruling in respect of an inter-enterprise loan we made to a third party

During the Track Record Period, to relieve the borrower's temporary cash flow difficulties, one of our PRC subsidiaries used its own funds to extend a loan (the "Loan") to a third-party enterprise in the amount of RMB4.5 million with interest at the rate of 10% per annum. As of the Latest Practicable Date, the principle and interest of the Loan had been paid to us in full, and since the Loan we have not extend any loans to any third-party enterprises. Our PRC legal advisor is of the view that the Loan constituted an "inter-enterprise loan."

The General Rules on Credit (《貸款通則》), published by the PBOC in 1996, state that the PBOC bans the arbitrary conduct of inter-enterprise loans, and may impose a penalty on a loan provider equal to between one and five times the "illegal income derived from such a loan." However, our PRC legal advisor is not aware that the PBOC has published information concerning any instances where the PBOC has imposed a penalty on a loan provider or borrower in respect of an inter-enterprise loan. Pursuant to the Reply of the Supreme People's Court on How to Deal with the Case in which the Borrower to an Enterprise Loan Contract Fails to Repay the Loan Overdue (No. 5 [1996] of the Supreme People's Court) (最高人民法院《關於對企業借貸合同借款方逾期不歸還借款的應如何處理的批復》(法復[1996]15號)), if the enterprise loan contract is in violation of relevant financial regulations, it shall be an invalid contract. Except for the principal amount of the loan which would be repaid to the lender, the interests received or to be received by the lender as stipulated would be confiscated, while the borrower would be subject to a fine equivalent to the bank interest. However, in cases where the enterprise loan contract is not considered to violate relevant financial regulations and is found to be valid under Contract Law, the courts are inclined to protect the lender's right to repayment of the principal amount of the loan and interests accrued thereon at a reasonable rate. Furthermore, pursuant to the Notice on Providing Judicial Support to the Financing of SMEs and Micro Businesses issued by Guangdong High Court (《關於為中小微企業融資提供司法保障的通知》) on April 13, 2012, in the event of litigation between parties to an inter-enterprise loan, the courts in Guangdong shall support the reasonable claims of the lender if the loan funds are sourced from the lender's own funds, interest is charged within a reasonable range and the loan is provided to relieve the borrower's temporary financial difficulties in order to maintain its normal operations.

Both parties to the Loan were domiciled in Shenzhen and any dispute arising between these two parties would be submitted to a court in Shenzhen. Moreover, we confirm that (i) the full amounts of the principal and interests on the Loan have repaid in accordance with the loan agreement, (ii) we are not aware of any current dispute arising out of or in connection with the Loan, and (iii) neither our lending PRC subsidiary nor, to our knowledge, the borrower has been subject to any notice or order from the PBOC regarding their entry into and performance of the relevant loan agreement. Based on the above, our PRC legal advisor advises us that (i) the possibility that the PBOC imposes a penalty on our lending PRC subsidiary in respect of the Loan is remote, (ii) the possibility that our lending PRC subsidiary would be subject to proceedings in respect of the Loan is remote, and (iii) even in the event that our lending PRC

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subsidiary is subject to any proceeding, any adverse decision or judgment against the lending PRC subsidiary would not constitute or result in any material adverse effect on our business, results of operations and financial position of us. However, there can be no assurance that we will not be subject to penalty from the PBOC or an adverse judicial ruling in the case of any future dispute between us and the borrower, in which case our business, results of operations and financial position may be adversely affected.

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

Our Company was incorporated in the Cayman Islands. We conduct our business through operating subsidiaries in the PRC.

Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC are considered “resident enterprises” and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. On December 6, 2007, the State Council adopted the Regulation on the Implementation of EIT Law, effective as of January 1, 2008, which defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises.” Currently, our management is based in the PRC, and may continue to be based in the PRC in the future. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case.

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

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. We invest in our PRC operating subsidiaries through Novel Era, a company incorporated in Hong Kong. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Hong Kong Tax Treaty**”), Novel Era will be subject to a withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries. However, the SAT promulgated a circular on October 27, 2009 (“**Circular 601**”),

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which provides that tax treaty benefits will be denied to “conduit” or shell companies without business substance, and a beneficial ownership analysis will be adopted based on a “substance over form” analysis to determine whether or not to grant tax treaty benefits to a “conduit” company. It is unclear whether Circular 601 applies to dividends from our PRC operating subsidiaries paid to us through Novel Era. It is possible, however, that under Circular 601, Novel Era would not be considered the “beneficial owner” of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations would be materially and adversely affected.

Our failure to protect our intellectual property rights could have a negative impact on our business and competitive position

We consider our intellectual properties, and in particular, the trademarks of the “Colour Life” logo and our rights over the Colour Life website, are crucial business assets, key to customer loyalty and essential to our future growth. The success of our business depends substantially upon our continued ability to use our brand, trade names and trademarks to increase brand recognition and to further develop our brand. The unauthorized reproduction of our trade names or trademarks could diminish the value of our brand and our market reputation and competitive advantages. Please see the section entitled “Business — Intellectual Property Rights.”

We rely on a combination of trademarks, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights. Nevertheless, these afford limited protection and policing unauthorized use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, and could involve substantial risks to us. To our knowledge, the relevant authorities in the PRC historically have not protected intellectual property rights to the same extent as most developed countries. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, operating results and financial position.

We may be subject to an order to surrender relevant income and pay a fine for operating the Colour Life website for a period of time after the expiration of our ICP License

Telecommunications laws in the PRC require that entities engaged in the provision of commercial services to Internet users must obtain an ICP License from the MIIT or its local bureau. An entity that engages in the provision of such services without an ICP License may be subject to an order to (i) cease the provision of services; (ii) surrender any income unlawfully earned from the provision of such services; and (iii) pay a fine of between three to five times the amount of any income unlawfully earned from the provision of such services or, where there was no unlawful income or where unlawful income was less than RMB50,000, pay a fine of between RMB100,000 and RMB1,000,000. In serious cases an order may be made to close down the relevant website. We managed and operated the Colour Life website for a period from June 2012 to November 2012 following the expiration of the validity period of the relevant ICP License held by us, during which time the website generated a minimal amount of income. Although we were not subject to any order to cease operations, nor have we been subject to any order to surrender the income generated by the website and pay a fine, we cannot assure you that the MIIT or its local bureau will not order us to surrender the income and pay a fine in the future.

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Our rights to lease certain properties could be challenged, which could prevent us from continuing to operate the affected facilities

The lessors of certain properties leased by us as office space have not obtained the relevant building title certificates. As a result of such non-compliance with relevant PRC law, we may not be able to continue to occupy the relevant properties if any such lease is challenged by a third party or relevant authorities. In the event that a third party claims to be the proper owner of any such property, or if relevant government authorities do not issue a building title certificate and require that the property be vacated, we may be required to relocate our offices to other places and bear related relocation costs. If we need to relocate a large number of offices within a short period of time, our operations may be materially disrupted. In addition, the lessors of seven of our leased properties have not registered the relevant lease agreements with governmental authorities in the PRC. If the relevant authorities require us to rectify such failure and we fail to do within a specified time limit, we may be subject to a fine of between RMB1,000 and RMB10,000 for each such lease agreement or such other fine which may be determined by relevant local governmental authorities. For more information, please see the section titled “Business — Legal Proceedings and Compliance — Non-Compliance Record — Lease registration.”

RISKS RELATING TO OUR CORPORATE STRUCTURE

The PRC government may determine that the Structured Contracts or the ownership structure or business operations of our Company or Shenzhen Caizhiyun Network do not comply with PRC laws and regulations, if so, our business, financial position or results of operations could be materially and adversely affected

Our PRC legal advisor is of the opinion that the Structured Contracts do not violate the mandatory laws and regulations in the PRC and are not found to be invalid due to the violation of Article 52 of the Contract Law and the related rules of the General Principle of Civil Law, so they are valid, binding and enforceable among Shenzhen Caizhiyun Network, its shareholders and Shenzhen Colour Life Network Service. However, our PRC legal advisor is of the view that there can be no assurance that the Structured Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the Structured Contracts would be deemed to be in compliance of the PRC laws and regulations. In particular, any future acquisition of rights, benefits or assets of or equity interests in Shenzhen Caizhiyun Network pursuant to the Structured Contracts will be subject to the laws and regulations then applicable.

If we are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion to deal with such violations, including possibly:

- revoking any of the Structured Contracts;
- revoking our PRC subsidiaries’ business and operating licenses;
- discontinuing or restricting the operations of our PRC subsidiaries or our Group;
- imposing conditions or requirements with which we or our PRC subsidiaries may not be able to comply;
- requiring us or our PRC subsidiaries to restructure our ownership or operations; or
- taking other regulatory or enforcement actions, including levying fines, that could be harmful to our business.

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If any of the above possible actions were to be taken by PRC regulatory authorities, the flow of economic benefits from Shenzhen Caizhiyun Network to our Group as stipulated under the Structured Contracts may be hindered or even terminated. If the imposition of any of these penalties causes us to lose the rights to direct the activities of Shenzhen Caizhiyun Network or our right to receive its economic benefits, we would no longer be able to consolidate Shenzhen Caizhiyun Network. In addition, we may have to rationalize or restructure the operations of Shenzhen Caizhiyun Network and our PRC subsidiaries under the Structured Contracts or our organizational or operational structure in the PRC if there is any determination that the existing Structured Contracts are not in compliance with any interpretations of laws, regulations, rules or policies. Such rationalization or restructuring could result in the diversion of management attention and the incurrence of substantial operating and production costs which could adversely affect our business, financial position or results of operations.

The Structured Contracts may not be as effective as direct ownership in providing operational control over Shenzhen Caizhiyun Network

We rely on contractual arrangements with Shenzhen Caizhiyun Network to operate our value-added telecommunication service in the PRC. For a description of these contractual arrangements, see the section entitled “History, Reorganization and the Group Structure — The Structured Contracts.” These contractual arrangements may not be as effective in providing us with control over Shenzhen Caizhiyun Network as direct ownership. If we had direct ownership of Shenzhen Caizhiyun Network, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of Shenzhen Caizhiyun Network, which in turn could affect changes at the management level. However, under the current contractual arrangements, we rely on the performance by the Shenzhen Caizhiyun Network and their shareholders of their obligations under the contracts to exercise control over our Shenzhen Caizhiyun Network.

Any failure by Shenzhen Caizhiyun Network or its shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business and financial position

If Shenzhen Caizhiyun Network or its shareholders fail to perform its or their respective obligations under the Structured Contracts, we may have to incur substantial costs and expend significant resources and time to enforce those contracts and rely on legal remedies under PRC laws. These remedies may require, among other things, the defaulting party to continue to perform its and/or their respective obligations under the Structured Contracts or to take other remedial measures and pay damages, any of which may not be effective or satisfactory to us. Moreover, in the event that we are unable to enforce these Structured Contracts, we may be unable to exert effective control over Shenzhen Caizhiyun Network, and our ability to conduct our business may be materially and adversely affected. For example, if the shareholders of Shenzhen Caizhiyun Network were to refuse to transfer their equity interest in such consolidated affiliated entity to us or our nominee when we exercise the call option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

Shareholders of Shenzhen Caizhiyun Network may potentially have a conflict of interest with us, and they may breach their contracts with us

Our control over Shenzhen Caizhiyun Network is based upon the Structured Contracts. Shareholders of Shenzhen Caizhiyun Network, namely Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌), are our Directors. Conflicts of interest may arise due to the dual roles of those individuals. If they breach their contracts with us or otherwise have disputes with us, we may

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have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, divert the attention of our management, cause us to incur significant costs, adversely affect our ability to control Shenzhen Caizhiyun Network or otherwise result in negative publicity, and we cannot assure you that the outcome of such disputes and proceedings will be in our favor.

Despite the steps we take to satisfy the Qualification Requirement, we may not be able to meet the Qualification Requirement and if and when the relevant regulations evolve, we may not be allowed to hold 100% equity interests in our PRC operation company for the online value-added services

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)), value-added telecommunication service is subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider in the PRC. Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. Our PRC legal advisor has advised that the community leasing, sales and other services provided by Shenzhen Colour Life Network Service through the Colour Life website constitute value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investors shall contribute no more than 50% of the registered capital of a value-added telecommunications services provider and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunication services industry (“**Qualification Requirement**”). For further details about the Qualification Requirement, please refer to the section entitled “History, Reorganization and the Group Structure — The Structured Contracts — Effect and legality of the Structured Contracts.”

We have taken and will take a number of steps aiming to satisfy the Qualification Requirement. Currently, however, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation of the Qualification Requirement, such as what would constitute “a good track record period” and there are no specific written guidelines in this regard. For further details about the steps that have been or will be taken to satisfy the Qualification Requirement, please refer to the section entitled “History, Reorganization and the Group Structure — The Structured Contracts — Effect and legality of the Structured Contracts.”

Despite the active steps which have been and will be taken to satisfy the Qualification Requirement, we cannot assure you that such steps will guarantee the satisfaction of the Qualification Requirement. We undertake to unwind the Structured Contracts and acquire the equity interest in Shenzhen Caizhiyun Network as soon as the relevant PRC laws allow us to operate Shenzhen Caizhiyun Network’s business without the Structured Contracts. At the time the Structured Contracts are unwound and when we acquire Shenzhen Caizhiyun Network, we may not have met the Qualification Requirement yet. In that event, our Group will not be able to provide online value-added services, and our business, financial position and results of operations may be adversely affected.

Our arrangements with Shenzhen Caizhiyun Network may be subject to scrutiny of the PRC tax authorities as requiring transfer pricing adjustments and additional tax may be imposed

We could face material adverse tax consequences if the PRC tax authorities determine that the Structured Contracts with Shenzhen Caizhiyun Network were not entered into based on arm’s length negotiations. If the PRC tax authorities determine that these contracts were not

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entered into on an arm's length basis, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by increasing Shenzhen Caizhiyun Network's tax liability without reducing our PRC subsidiary's tax liabilities, and could further result in late payment fees and other penalties to Shenzhen Caizhiyun Network for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on our financial position and results of operations.

Certain of the terms of the Structured Contracts may not be enforceable under PRC laws

Each of the Structured Contracts provides for dispute resolution by way of arbitration by the arbitral body of the South China International Economic and Trade Arbitration Commission in accordance with its then prevailing arbitration rules. These agreements contain provisions to the effect that the arbitral body may award remedies over the shares and assets of the Shenzhen Caizhiyun Network, grant injunctive relief or wind up Shenzhen Caizhiyun Network. In addition, the Structured Contracts also contain provisions to the effect that courts of competent jurisdictions may grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

Under PRC laws, it is uncertain whether some of the above contractual terms are enforceable. For instance, under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in Shenzhen Caizhiyun Network in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the contractual provisions contained in the agreements. PRC laws do allow the arbitral body to give an award of transfer of assets of or equity interest in Shenzhen Caizhiyun Network in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, PRC courts may not support such an award of the arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts or judicial authorities in the PRC generally would not award injunctive relief or winding-up of Shenzhen Caizhiyun Network as preliminary remedies for the purpose of protecting assets or shares in favor of any aggrieved party. Even though the Structured Contracts provide that overseas courts are given jurisdiction to grant or enforce interim remedies and support arbitral judgments and awards, such interim remedies (even if so granted by overseas courts in favor of an aggrieved party) may not be recognized or enforced by PRC courts. In addition, the court in Hong Kong and the place where we established has no jurisdiction referred to the dispute related to the Structured Contracts. Therefore, in the event of breach of any of the Structured Contracts by Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌) or Shenzhen Caizhiyun Network, and if we are unable to enforce the Structured Contracts, we may not be able to exert effective control over Shenzhen Caizhiyun Network, and our ability to conduct our business may be negatively affected.

We are a holding company relying on dividend payments from our subsidiaries for funding

We are a holding company incorporated in the Cayman Islands, and we operate our business through operating subsidiaries in the PRC. As a result, the availability of our funds to pay dividends to our Shareholders and to service our debt obligations is dependent upon dividends received from these PRC subsidiaries. Under PRC regulations, such subsidiaries may distribute to us their after-tax profits, as determined in accordance with the PRC accounting rules and regulations, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. Furthermore, our PRC operating subsidiaries may only distribute their after-tax profits to us subsequent to setting aside relevant statutory

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reserve funds at a rate of at least 10% of their annual net profit until such fund reaches 50% of its registered capital. The statutory reserve is not available for distribution as cash dividends. Furthermore, restrictive covenants in bank credit facilities or other agreements that we may enter into in the future may also restrict the ability of our PRC operating subsidiaries to make dividend payments to us and our ability to receive distributions from them. These restrictions could reduce the amount of distributions that we receive from our subsidiaries, which would restrict our cash flow and our ability to pay dividends and settle our debt obligations.

We may suffer losses as the primary beneficiary of Shenzhen Caizhiyun Network if we provide financial support to Shenzhen Caizhiyun Network, and we may lose the ability to use and enjoy assets held by Shenzhen Caizhiyun Network that are important to the operation of our business if Shenzhen Caizhiyun Network declares bankruptcy or becomes subject to a dissolution or liquidation proceeding

Under the Structured Contracts, as the entrusted operator of Shenzhen Caizhiyun Network, we are obligated to share the losses of Shenzhen Caizhiyun Network incurred to the operation of Shenzhen Caizhiyun Network with no violation of the Structured Contracts by Shenzhen Caizhiyun Network and its shareholders nor are we obligated to provide financial support to Shenzhen Caizhiyun Network under any circumstances. However, in the event that Shenzhen Caizhiyun Network operates at losses or otherwise, we may decide and resolve, at our sole and absolute discretion, to provide financial support to Shenzhen Caizhiyun Network in any manner permitted by relevant PRC laws in order to maintain its sound operations.

In addition, Shenzhen Caizhiyun Network holds certain assets that are important to our business operations. Although relevant agreements under the Structured Contracts between Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network and its shareholders contain terms that specifically obligate the shareholders of Shenzhen Caizhiyun Network to ensure the valid existence of Shenzhen Caizhiyun Network and that Shenzhen Caizhiyun Network may not be voluntarily liquidated, in the event that the shareholders breach this obligation and voluntarily liquidate Shenzhen Caizhiyun Network, or if Shenzhen Caizhiyun Network declares bankruptcy, and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial position and results of operations. Furthermore, if Shenzhen Caizhiyun Network undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial position and results of operations.

Our ability to acquire the entire equity interest and/or assets of Shenzhen Caizhiyun Network through Shenzhen Colour Life Network Service may be subject to various limitations

We have adopted the Structured Contracts in order to manage our value-added telecommunication service business in the PRC and we will unwind the Structured Contracts when PRC laws and regulations allow the value-added telecommunication service business to be directly operated by us through the acquisition of the entire equity interest and/or all assets of Shenzhen Caizhiyun Network by Shenzhen Colour Life Network Service. However, our acquisition of Shenzhen Caizhiyun Network's equity interest and/or assets may only be conducted to the extent that is permitted by and will be subject to required approvals and procedures under applicable PRC laws. In addition, our acquisition may be subject to a minimum price limitation (such as an appraised value for the entire equity interest or all assets of Shenzhen Caizhiyun Network) or other limitations as imposed by applicable PRC laws, and may

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also be subject to substantial costs. Shenzhen Caizhiyun Network's shareholders have undertaken that if any minimum price is required to be paid by Shenzhen Colour Life Network Service or its nominee(s) to any of them, such price will be reimbursed to Shenzhen Colour Life Network Service or its nominee(s) after deducting any paid-up capital of Shenzhen Caizhiyun Network contributed by them.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

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

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

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

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

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

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Please see the section entitled “Laws and Regulations relating to the Industry — Legal Regulations over Foreign Exchange in the PRC.” We receive substantially all our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

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

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

Interest rate increases by the PBOC, or market disruptions such as those recently experienced in the United States, European Union and other countries or regions, may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we have relied to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

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

We plan to finance our equity controlled PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with or approvals from PRC government authorities. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter, and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of the Ministry of Commerce in China or its local counterpart. On August 29, 2008, SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested

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company of foreign currency-denominated capital contribution into Renminbi by restricting how the converted Renminbi may be used. The notice requires that Renminbi converted from the foreign currency-denominated capital contribution of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments, nor, except in the case of foreign-invested real estate enterprises, can Renminbi be used for acquisition of property in the PRC not for self-use purposes unless otherwise provided by laws and regulations. In addition, SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the company's approved business scope. Violations of Circular 142 may result in severe penalties, including substantial fines as set forth in the Regulations on the Control of Foreign Exchange, which is discussed in greater details in the section entitled "Laws and Regulations relating to the Industry — Legal Regulations over Foreign Exchange in the PRC." We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

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

We conduct substantially all our business in Renminbi. However, following the Global Offering, we may also maintain a significant portion of the proceeds from the offering in Hong Kong dollars before they are used in our PRC operations. The value of the Renminbi against the US dollar, Hong Kong dollar and other currencies may be affected by changes in the PRC's policies and international economic and political developments. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Effective May 21, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the US dollar from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5% above or below the central parity rate published by the PBOC. On June 19, 2010, the PBOC announced that the PRC government will reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. The floating band was further enlarged to 1% on April 16, 2012 and 2% on March 17, 2014. Under the current policy, the RMB is pegged against a basket of currencies, as determined by the PBOC, against which it can rise or fall within stipulated ranges each day. These changes in currency policy resulted in the Renminbi appreciating against the US dollar by approximately 24.5% from July 21, 2005 to June 6, 2014. As a result of these and any future changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the US dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the US dollar or the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert US dollars or Hong Kong dollars into Renminbi for such purposes.

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Uncertainty with respect to the PRC legal system could adversely affect us and may limit the legal protection available to you

As our businesses are conducted, and our assets are located, in the PRC, our operations are governed principally by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China, or may be unclear or inconsistent. In particular, since the property management service industry is in its early developmental stage in the PRC, the laws and regulations relating to this industry are unspecific and may be incomprehensive. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a PRC court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after such violation. Finally, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention. The materialization of all or any of these uncertainties could have a material adverse effect on our financial position and results of operations.

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

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

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome (“SARS”), and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

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For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. Any future outbreak of SARS, avian flu or other similar adverse epidemics may, among other things, significantly disrupt our business. An outbreak of infectious disease may also severely restrict the level of economic activity in affected areas, which in turn may have a material and adverse effect on our business, financial position and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible assets of HK\$1.24 per Share, based on the maximum Offer Price of HK\$4.60 per consolidated Offer Share.

In order to expand our business, we may consider offering and issuing additional Shares in the future. We may also issue additional Shares pursuant to our Share Option Scheme. Purchasers of our Shares may experience dilution in the net tangible assets book value per Share of their investments in the Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares.

There has been no prior public market for our Shares

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

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

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

- actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;

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- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry;
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us, the Controlling Shareholder or other Shareholders.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. For instance, during the global economic downturn and financial market crisis begun around the middle of 2008, the global stock markets witnessed drastic price drops with heavy unprecedented selling pressure. Many stocks fell to a fraction of their highs in 2007. Similar stock price movements were observed in the second half of 2011 as certain recent adverse financial developments have affected the global securities and financial markets. These developments include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, in interest expenses on our bank borrowings, or reduction of the amount of banking facilities currently available to us. If the economic downturn continues, our business, results of operations and financial position could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the market price of our Shares.

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

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

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

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be on the sixth Business Day after the Price Determination Date. As a result,

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investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Our Controlling Shareholder has substantial control over the Company and its interests may not be aligned with the interests of the other Shareholders

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholder will remain having substantial control over its interests in the issued share capital of our Company. Subject to the Articles of Association and the Companies Ordinance and the Listing Rules, the Controlling Shareholder by virtue of their controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The Controlling Shareholder may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholder conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Certain facts and other statistics with respect to China, the PRC economy, the PRC property management industry and the PRC e-commerce industry in this prospectus are derived from various official government sources and third-party sources and may not be reliable

Certain facts and other statistics in this prospectus relating to China, the PRC economy, the PRC property management industry and the PRC e-commerce industry have been derived from various official government publications, and data from China Index Academy (中國指數研究院), iResearch Consulting Group and publicly available sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

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

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

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investors should only rely on the information contained in this prospectus and the Application Forms to make investment decisions about us.

Forward-looking information may prove inaccurate

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

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

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

We may not declare dividends on our Shares in the future

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 25,000,000 Offer Shares and the International Offering of initially 225,000,000 Offer Shares subject, in each case, to re-allocation on the basis described in the section entitled "Structure of the Global Offering".

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement on a conditional basis. One of the conditions is that we and the Joint Global Coordinators (on behalf of the Underwriters) having agreed on the Offer Price. For applicants under the Hong Kong Public Offering and the Preferential Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering and the Preferential Offering. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement.

The Offer Price is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around June 20, 2014 and, in any event, not later than June 26, 2014. If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed. For full information about the Underwriters and the underwriting arrangements, please see the section entitled "Underwriting."

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

We offer the Hong Kong Offer Shares and the Reserved Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and the Application Forms.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

British Virgin Islands

The Company has been advised that there are no securities or other similar laws of the British Virgin Islands which would limit or restrict the offering of securities to a British Virgin Islands business company outside the British Virgin Islands. Arrangements will be made by the Company for the corporate shareholder of Fantasia Holdings who has an address on the register of members of Fantasia Holdings in the British Virgin Islands to obtain a copy of this prospectus in Hong Kong.

Malaysia

The Securities Commission of Malaysia has not approved or disapproved any offer for subscription or purchase, or any invitation to subscribe for or purchase the Reserved Shares under the Preferential Offering to any persons in Malaysia under the Capital Markets and Services Act 2007 of Malaysia. Accordingly, the Reserved Shares under the Preferential Offering will only be sold or offered for subscription or purchase, or be made the subject of an invitation to subscribe for or purchase, to persons outside Malaysia⁽¹⁾. This prospectus has not been and will not be registered as a prospectus or deposited as an information memorandum with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia. Accordingly, the Reserved Shares under the Preferential Offering shall not be made available or offered for subscription or purchase, or be made the subject of any invitation to subscribe for or purchase, to any person in Malaysia.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering and any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme. None of our Shares or loan capital of our Company is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchange.

Note:

⁽¹⁾ The reference to a sale or offer for subscription or purchase or invitation to subscribe for or purchase the Reserved Shares “to persons outside Malaysia” refers to a sale or offer or invitation to subscribe for or purchase securities outside Malaysia. A Qualifying Fantasia Shareholder who maintains a registered address in Malaysia according to the records of Fantasia will not be prohibited from subscribing for his/her entitlements under the Preferential Offering merely by virtue of the Malaysian nationality or residency or registered address of such Qualifying Fantasia Shareholder.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after a trading transaction. You should seek advice from your stockbroker or other professional advisors for details of such settlement arrangements as such arrangements will affect your rights and interests.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation. We emphasize that none of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, us, any of our or their respective directors or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchasing, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering and the Preferential Offering will be registered on our register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained in our Company's principal share registrar in the Cayman Islands. Our Hong Kong register of members will be maintained by our Hong Kong Share Registrar.

No stamp duty is payable by applicants in the Global Offering.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES AND RESERVED SHARES

The procedure for applying for Hong Kong Offer Shares and the Reserved Shares is set out in the section entitled “How to Apply for Hong Kong Offer Shares and Reserved Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offering, the International Offering, the Preferential Offering and the Global Offering, including its conditions, are set out in the section entitled “Structure of the Global Offering.”

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Hong Kong dollars and US dollars have been translated, for the purpose of illustration only, into Renminbi, and vice versa, in this prospectus at the following rates:

HK\$1.00: RMB0.7862

US\$1.00: HK\$7.7539

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

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, all applicants applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong. This normally means that at least two of the applicant's executive directors must be ordinarily resident in Hong Kong. The business and operations of our Group are primarily located, managed and conducted in the PRC. All customers of our Group are also located in the PRC. None of our Executive Directors are ordinarily based in Hong Kong. We do not and, in the foreseeable future, will not have any management presence in Hong Kong.

Accordingly, we have applied for and have been granted a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange to ensure that our Company complies with the Listing Rules at all times. The two authorized representatives are Mr. Tang Xuebin (唐學斌), an Executive Director and Ms. Cheng Pik Yuk, the company secretary of our Company who is an ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the two authorized representatives is authorized to communicate on our behalf with the Stock Exchange. We have been registered as a non-Hong Kong company under the Companies Ordinance and Ms. Cheng Pik Yuk has also been authorized to accept service of legal process and notices in Hong Kong on our behalf.
- (b) Each of the authorized representatives has means to contact all members of our Board (including the independent Non-executive Directors) and all of the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, the authorized representatives and our Directors, we will implement a policy that (i) each Director will have to provide his office phone number, mobile phone number, residential phone number, facsimile number and email address (if applicable) to the authorized representatives; (ii) in the event that a Director expects to travel or is out of office, he will endeavor to provide the phone number of the place of his accommodation to the authorized representatives or maintain an open line of communication via his mobile phone, facsimile number and email address (if applicable) to the Stock Exchange; and (iii) all the Directors and authorized representatives will provide their office phone numbers, mobile phone numbers, facsimile numbers and email addresses (if applicable) to the Stock Exchange.
- (c) In addition, Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet the Stock Exchange within a reasonable period when required.
- (d) In compliance with Rule 3A.19 of the Listing Rules, our Company has appointed a compliance advisor to act as the additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The contact person of the compliance advisor will be fully available to answer enquiries from the Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CHAPTER 14A OF THE LISTING RULES

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules for certain non-exempt continuing connected transactions. For details, please see the section entitled “Connected Transactions.”

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. TANG Xuebin (唐學斌) (Chief Executive Officer)	Unit 3B, Block 84 Dongle Garden, Luohu District Shenzhen PRC	Chinese
Mr. DONG Dong (董東)	Unit 7E, Block B Changan Huayuan Baihua Fifth Road, Futian District Shenzhen PRC	Chinese
Mr. ZHOU Qinwei (周勤偉)	Room 904, Block A3 Tianyu Huating 236 Longkou West Road Guangzhou PRC	Chinese
<i>Non-executive Directors</i>		
Mr. PAN Jun (潘軍) (Chairman)	Unit 10D, Block 10 Xiangyu Central Garden 66 Nongyuan Road, Futian District Shenzhen PRC	Chinese
Mr. LAM Kam Tong (林錦堂)	Room 1611, Block 1 Harbourview Horizon 12 Hung Lok Road Hung Hom, Kowloon Hong Kong	Chinese
Mr. ZENG Liqing (曾李青)	Room 3C, Unit 2, Block K Phase 2, Shahe Swan Fort Nanshan District Shenzhen PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
<i>Independent Non-executive Directors</i>		
Mr. TAM Chun Hung, Anthony (譚振雄)	7D Alpine Court 12 Kotewall Road Mid-levels Hong Kong	Chinese
Dr. LIAO Jianwen (廖建文)	3110 Burlington Avenue Lisle, Illinois United States of America	United States
Mr. XU Junda (徐俊達)	Room 1201, 3rd Floor New Court C 9 San Li He Road Hedian District Beijing PRC	Chinese

Further information on our Directors is disclosed in the section entitled “Directors, Senior Management and Employees” of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Merrill Lynch Far East Limited
55th Floor, Cheung Kong Center
2 Queen’s Road Central
Central
Hong Kong

Guotai Junan Capital Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong

Joint Global Coordinators

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Bookrunners

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

First Shanghai Securities Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Joint Lead Managers

Merrill Lynch Far East Limited (*in relation to the Hong Kong Public Offering only*)
55th Floor, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Merrill Lynch International (*in relation to the International Offering only*)
2 King Edward Street
London EC1A 1HQ
United Kingdom

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

First Shanghai Securities Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to our Company

as to Hong Kong law and United States law:

Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

as to PRC law:

Commerce & Finance Law Offices
6th Floor, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022, the PRC

as to Cayman Islands law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal Advisors to the Underwriters

as to Hong Kong law and United States law:

Simpson Thacher & Bartlett
35th Floor, ICBC Tower
3 Garden Road, Central
Hong Kong

as to PRC law:

King & Wood Mallesons
28th Floor, Landmark,
4028 Jintian Road, Futian District
Shenzhen 518026, the PRC

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway, Hong Kong

Receiving Banker

Bank of China (Hong Kong) Limited
1 Garden Road
Central
Hong Kong

Compliance Advisor

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Headquarters and principal place of business in the PRC	12th Floor, Colour Life Building Meilong Road, Liuxian Avenue Bao'an District Shenzhen, the PRC
Place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Room 1202-03, New World Tower 1 16-18 Queen's Road Central Central Hong Kong
Company's website	www.colourlife.hk (Information contained in this website does not form part of this prospectus.)
Company Secretary	Ms. Cheng Pik Yuk (鄭碧玉) (HKICS) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized Representatives	Mr. Tang Xuebin (唐學斌) Ms. Cheng Pik Yuk (鄭碧玉)
Members of the Audit Committee	Mr. Tam Chun Hung, Anthony (譚振雄) (chairman) Dr. Liao Jianwen (廖建文) Mr. Xu Junda (徐俊達)
Members of the Remuneration Committee	Dr. Liao Jianwen (廖建文) (chairman) Mr. Tang Xuebin (唐學斌) Mr. Tam Chun Hung, Anthony (譚振雄) Mr. Xu Junda (徐俊達)
Members of the Nomination Committee	Mr. Pan Jun (chairman) Mr. Tang Xuebin (唐學斌) Mr. Tam Chun Hung, Anthony (譚振雄) Dr. Liao Jianwen (廖建文) Mr. Xu Junda (徐俊達)
Cayman Islands Principal Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

CORPORATE INFORMATION

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

**Principal Bankers
(in alphabetical order)**

Bank of China Limited
Shenzhen Minzhi Branch
Minzhi Road, 101-105 Huang Jia commercial Plaza
Bao An District
Shenzhen
Guangdong Province, the PRC

Industrial and Commercial Bank of China Limited
Shenzhen Minzhi Branch
Mei Long Road, 106 Qi Xing Plaza
Bao An District
Shenzhen
Guangdong Province
The PRC

INDUSTRY OVERVIEW

Investors should note that this industry overview section contains information and statistics that are derived from government publications, data we purchased from China Index Academy (中國指數研究院) and iResearch Consulting Group and publicly available data.

We believe that the official government publications and the sources of information used by China Index Academy and iResearch Consulting Group are appropriate, and have taken reasonable care in extracting and reproducing such information. The information and data derived from China Index Academy and iResearch Consulting Group are not commissioned by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters, and China Index Academy's information and data can be assessed by all its subscribers. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information extracted from the official government publications, the data purchased from China Index Academy and iResearch Consulting Group and data extracted from publicly available sources have not been independently verified by us or any of our affiliates and advisors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters or their respective directors and advisors or any other persons or parties involved in the Global Offering. The information may not be consistent with other information available from other sources within or outside the PRC. We, our affiliates or advisors, the Joint Global Coordinators, Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors, affiliates, or advisors, or any party involved in the Global Offering do not make any representation as to the accuracy, completeness or fairness of such information and, accordingly, you should not unduly rely on such information.

PROPERTY MANAGEMENT INDUSTRY IN THE PRC

China Index Academy and Its Methodology

We purchased the right to use and quote various data from publications by China Index Academy at a total cost of approximately RMB0.3 million. Established in 1994, China Index Academy is a professional property research organization in the PRC with over 500 analysts. It covers the five regions of Northern China, Eastern China, Southern China, Central China and Southwestern China with 20 branches, and its research covers more than 300 cities across the PRC. China Index Academy has extensive experience in researching and tracking the property management industry in the PRC, and has conducted research on the top 100 property management companies in the PRC since 2008.

In its research, China Index Academy considers primarily property management companies that have managed at least five properties or 100,000 sq.m. of GFA for the past three years. China Index Academy uses research parameters and assumptions by gathering data from a multitude of primary and secondary sources, including data from the property management companies (including data from reported statistics, websites and marketing materials), surveys conducted by China Index Academy, data gathered from the China Real Estate Index System (“CREIS”), the China Real Estate Statistics Yearbooks, public data from governmental authorities and data gathered for prior reports published by China Index Academy. China Index Academy derives its rankings of overall strength of property management companies by evaluating each property management company's operational scale, financial performance, service quality, growth potential and social responsibility. China Index Academy assesses the growth potential of a property management company in terms of various factors, including revenue growth rate, number of outstanding contracts on hand and growth rate of contracted GFA. In this section, the data analysis is primarily based on the top 100 property management companies ranked by China Index Academy based on the factors mentioned above.

INDUSTRY OVERVIEW

Origin of the Property Management Industry in the PRC

Shenzhen Special Economic Zone (“**Shenzhen SEZ**”) was established in 1980’s. With Shenzhen SEZ’s establishment and development, its real estate industry also experienced rapid growth. The history of PRC property management industry dates back to 1981, when the nation’s first property management company was established in Shenzhen. The development of Shenzhen’s property management industry was subsequently replicated in other regions throughout the PRC, and the industry has since experienced robust growth. According to China Index Academy, the PRC property management industry is currently very fragmented.

Market Conditions Affecting the PRC Property Management Industry

Increased urbanization and disposable income

The PRC has experienced substantial growth in its urbanization and disposable income per capita, which we believe drives the growth of China’s real estate industry. The table below sets forth selected figures showing China’s urbanization level and the disposable income per capita for the period from 2008 to 2013.

	2008	2009	2010	2011	2012	2013
Urban population (in million) ..	624.0	645.1	669.8	690.8	711.8	731.1
Total population (in million) ...	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7
Urbanization rate (%)	47.0%	48.3%	49.9%	51.3%	52.6%	53.7%
Annual disposable income per capita (in RMB)	15,781	17,175	19,109	21,810	24,565	26,955

Source: National Bureau of Statistics of China

Increased land supply

Concurrent with the rapid urbanization and growing disposable income per capita, the PRC government has increased its land supply over the past years. New land supply (site area) for property use increased from approximately 752.2 million sq.m. in 2008 to approximately 2,000.0 million sq.m. in 2013, representing a CAGR of approximately 21.6%. During the same period, the total GFA of residential properties under construction in China also increased from approximately 2,228.9 million sq.m. in 2008 to approximately 4,863.5 million sq.m. in 2013, representing a CAGR of approximately 16.9%. During the same period, the GFA of completed residential properties also increased from approximately 543.3 million sq.m. in 2008 to approximately 787.4 million sq.m. in 2013, representing a CAGR of approximately 7.7%. The table below sets forth data relating to the new land supply (site area) for property use, GFA of residential properties under construction and GFA of completed residential properties in China from 2008 to 2013:

	2008	2009	2010	2011	2012	2013	CAGR between 2008 to 2013
New land supply (site area) for property use (million sq.m.) ...	752.2	1,028.4	1,531.2	1,673.0	1,602.0	2,000.0	21.6%
GFA of residential properties under construction (million sq.m.)	2,228.9	2,513.3	3,147.6	3,877.1	4,289.6	4,863.5	16.9%
GFA of completed residential properties (million sq.m.)	543.3	596.3	634.4	743.2	790.4	787.4	7.7%

Sources: National Bureau of Statistics of China and Ministry of Land and Resources

INDUSTRY OVERVIEW

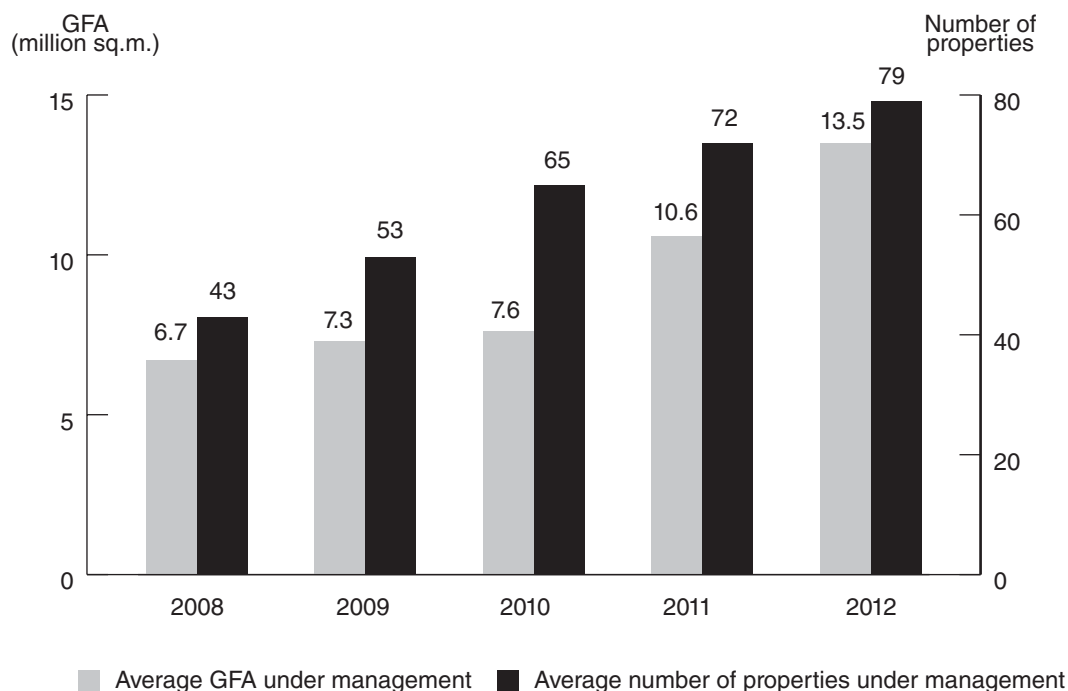
Overview of the PRC Property Management Industry

Overview of industry participants

According to China Index Academy, the PRC property management industry has been evolving since the 1980's. The industry is currently very fragmented.

From 2008 to 2012, the average GFA managed by the top 100 property management companies grew from 6.7 million sq.m. to 13.5 million sq.m., representing a CAGR of 19.1%. In 2012, while government's macroeconomic measures intensified and the trend of rapid growth of the real estate market was curbed under control, the top 100 property management companies still managed to sustain their competitive advantage in the market by leveraging their brand recognition and high quality services. By the end of 2012, the top 100 property management companies managed 79 properties on average, representing a CAGR of 16.4% since 2008. The chart below sets forth the average GFA and the average number of properties under management by the top 100 property management companies (in 2012) for the period from 2008 to 2012:

Average GFA and Average Number of Properties Under Management by Top 100 Property Management Companies in 2012 (2008-2012)



Source: China Index Academy; China Index Academy had not published 2013 data as of the Latest Practicable Date

In terms of geographical coverage, since 2008, the top 100 property management companies have established presence in an increasing number of locations, reaching an average of 21 cities as of the end of 2012. According to China Index Academy, among the top 100 property management companies in 2012, 20 of such companies had presence in more than 20 cities, 22 had presence in between 10 to 20 cities, 26 had presence in five to 10 cities, and 32 had presence in fewer than five cities.

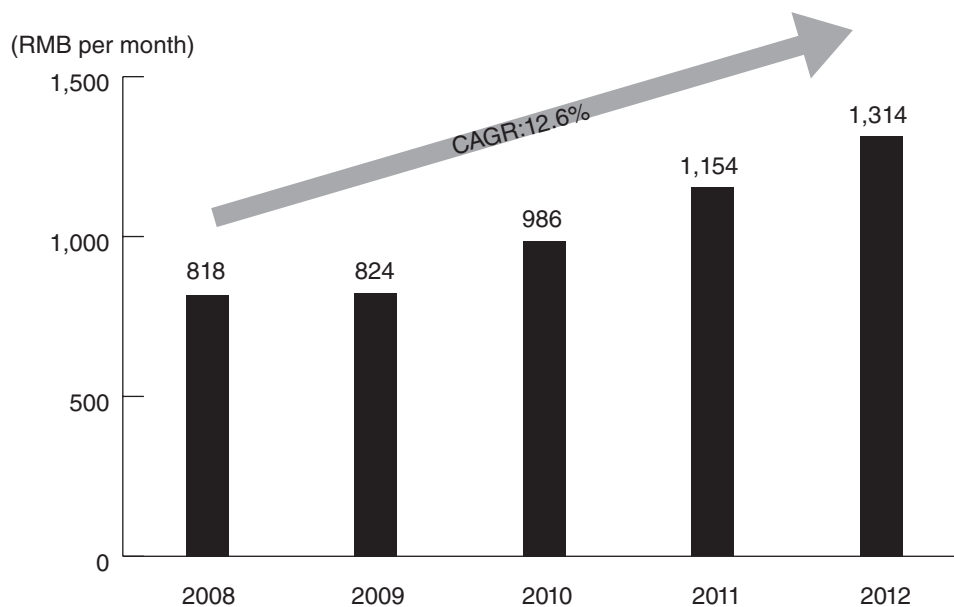
INDUSTRY OVERVIEW

According to China Index Academy, the top 100 property management companies have strengthened their business scale within cities where they already have some presence by increasing the number of properties they manage in those cities. Furthermore, some of the top 100 property management companies are transforming from regional to national enterprises with a relatively fast pace of expansion, and some of them also pursue acquisitions to accelerate expansion.

Traditional labor intensive property management services

According to China Index Academy, the PRC property management industry involves a number of labor intensive process within their traditional scope of service, including security, cleaning, gardening, landscaping and repair and maintenance. In addition to labor, the industry also has a strong demand for technical and managerial professionals, as such individuals have a direct influence on operational results, service quality and future growth. As of the end of 2011 and 2012, the average headcount at the top 100 property management companies was 2,973 and 3,024, respectively. As of the end of 2011 and 2012, the average GFA managed by the top 100 property management companies was 10.6 million sq.m. and 13.5 million sq.m., respectively. This implies that these companies employed an average headcount of 281 and 224 employees per million sq.m. under their management for the respective periods. Concurrent with the growing headcount, average labor costs also continued to increase. The increasing labor costs and the continuous increase in utilities and material costs under the impact of inflation in recent years had led to the rising costs of property services. The chart below sets forth the average minimum wages per month in major cities (Beijing, Shanghai, Shenzhen and Guangzhou) during the periods indicated:

Average Minimum Wages in Major Cities (Beijing, Shanghai, Shenzhen and Guangzhou) (2008-2012)



Source: China Index Academy; China Index Academy had not published 2013 data as of the Latest Practicable Date

Meanwhile, the average fees property management companies charged remained largely unchanged. For instance, according to China Index Academy, property management fee level in these cities had a minimal increase of 0.9% in 2012 compared to 2011. The growth in fees was

INDUSTRY OVERVIEW

lower than the increase in labor costs. The rising costs of property services together with the minimal change in fee charged for property management services resulted in the lower profit margin for the traditional businesses offered by property management companies in general. It has been a priority for such companies to lower their property management costs by means of centralized operations.

Low standardization rates

According to China Index Academy, there is in principle no unified standard dictating the quality of services in the property management industry in China. As such, the quality of services provided may vary widely among different property management companies. Some property management companies have lowered the quality of services due to an increase in labor costs, resulting in a reduced level of resident satisfaction. The increasing level of urban development leads to detailed classification of a city's development and property owners' increasingly higher expectation in property services. Property management companies are expected to be more involved in organizing, integrating and allocating resources. It is expected that property management companies will strive to standardize the quality of services in the future based on property owners' requirements, and the process will enhance the development of the property management industry in China.

Profitability of the PRC property management companies

In 2012, the top 100 property management companies were able to strengthen their businesses in cities where they have an established presence as well as actively explore new markets with potential opportunities. As opposed to primarily focusing on residential properties in the past, they have also expanded their scope of business to cover a variety of property types including commercial, public and industrial properties. The increase in service offerings has contributed to the steady growth of their revenue from property services fees. In addition to property management services, these property management companies have been increasingly diversifying from being pure property management companies to also offering other diversified services, which are services other than property management services, according to China Index Academy.

According to China Index Academy, the top 100 property management companies made adjustments to their business model by further developing their diversified services on the foundation of property management services business, with an aim to secure sustainable growth in profits while effectively controlling the operating costs. The pace of growth slowed down in both 2011 and 2012, primarily due to the increased operating costs including labor costs and the difficulties in raising property management fees, which led to the sustained slowdown in the pace of growth of the traditional businesses of the top 100 property management companies. At the same time, diversified services business developed rapidly and achieved higher growth for three consecutive years. According to China Index Academy, diversified services may have become a fundamental driving force for sustainable profitability.

Through expanding their business scope, the top 100 property management companies have been able to steadily grow their profitability by gradually forming a business model that offers property management services complemented by diversified services. As the top 100 property management companies adjusted their business model, they were able to optimize and integrate internal resources and control operating costs, which in turn enhanced their profit margins. According to China Index Academy, the average net profit margins of the top 100 property management companies were 5.5%, 6.2%, 6.8%, 7.4% and 8.0% in 2008, 2009, 2010, 2011 and 2012, respectively.

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Trends in the PRC Property Management Industry

Increasingly suppressed profitability from labor intensive traditional property management services

Since the inception of the property management services in the PRC in the 1980s, the industry has involved labor intensive traditional services components, including security, cleaning and gardening and repair and maintenance services.

According to China Index Academy, property management companies relying primarily on these traditional services are facing certain operational difficulties. Growth has slowed as operational costs continue to rise and profitability has come under increasing pressure. Moreover, expansion alone no longer yields corresponding increases in earnings. Against such a backdrop, many property management companies are forced to compromise either service quality or profitability.

Transition to adopt standardization and automation

According to China Index Academy, business model innovation and technological supports are among the basic principles underlying the expedited development of the modern services industries, including the property management industry, as indicated by the PRC Ministry of Science and Technology. According to China Index Academy, from 2009 to 2012, the top 100 property management companies continuously increased their investment in automation technology. The investment in automation technology comprises investment at corporate level as well as investment at the level of the properties under their management. According to China Index Academy, property management with enhanced automation reduces labor intensity, enhances the standard of corporate management, effectively saves on labor costs, fosters the standardized operations of property management, improves service quality and increases property owners' satisfaction.

New opportunities from diversified services

According to China Index Academy, residents have increasingly demanded that their property management companies improve the quality of existing services and provide diversified services. Such demands, coupled with the increasing operational pressure driven by general cost increases for property management companies, have presented opportunities for these companies to adjust their traditional business model, consolidate their resources and transform their operations to achieve sustainable profitability growth.

In particular, property management companies have recognized that their biggest assets are the number of residents living on the properties they manage. These residents' demands represent the most direct potential business opportunities. Driven by the search for new revenue streams and in response to residents' demands, more property management companies are willing to adjust their business models and develop diversified services with a view to capitalizing on the residents' demands.

Diversified services not only enhance the overall profitability and address market demands, but also broaden the narrow business scope of traditional property management. Such services enhance the managerial capabilities, and build a foundation for long-term development. According to China Index Academy, the property management industry is also expected to keep pace with the development in information technology to support the development of the diversified services.

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Active pursuit of acquisition opportunities

Property management companies are subject to higher risks when organically expanding into a new market due to differences in regional cultures and market conditions, leading to higher expansion costs. According to China Index Academy, property management companies entered into new markets through mergers and acquisitions since 2012 to mitigate such risks.

Property management companies often use mergers and acquisitions as a means of efficient expansion into new markets to save costs and time, and increase their geographical market coverage. This expansion method also enhances resource utilization, leading to better market resource allocation, resource sharing and stronger business alliances. However, acquisitions may encounter certain difficulties, such as acquisition target's valuation, difficulties with integration of human resources and corporate cultures, and any legacy problems of the acquired company, all of which need to be addressed by the acquiring company. China Index Academy predicts that mergers and acquisitions will be one of the most important methods through which property management companies achieve growth.

Service Quality of the Top Property Management Companies

Continuously enhancing service quality through various means

Since 2011, local PRC governments have made the improvement of property management service quality an important policy goal. According to China Index Academy, property management companies generally respond to government policies actively by evaluating their internal potentials and improving their own service quality. More companies have also used outsourcing as a way to enhance service efficiency and service quality, according to China Index Academy.

According to China Index Academy, the top 100 property management companies generally implement their professional management by means of outsourcing, and their professional and centralized operations enhance service standard and lower costs. Outsourcing represents a common trend of development among the top 100 property management companies in recent years. The outsourcing of certain services to professional companies can bring more focused service and reduce costs. Outsourcing allows property management companies to focus on the objective assessment of service quality by acting as the platform between the outsourcing professional companies and consumers.

High general satisfaction rates leading to on-time payments of property management service fees

According to China Index Academy, the property management service fee payment rate reached 95.6% in 2012 among the top 100 property management companies. Property management companies strive to continuously elevate their service quality to satisfy residents' demands and improve their satisfaction rates, which would in turn lead to higher payment rate and create a win-win situation for the residents and the property management companies. According to China Index Academy, the contract renewal rate in 2012 reached approximately 99% among the top 100 property management companies. This also demonstrates residents' general satisfaction towards these companies.

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Competition

Competitive landscape

We compete with our major competitors in relation to a number of factors, including primarily scale, brand recognition, financial resources, price, service quality and other factors. There were approximately 20 property management companies managing over 20 million sq.m. of GFA as of December 31, 2012. The table below sets out the GFA managed by us and our key competitors:

<u>Company</u>	<u>GFA Managed (sq.m.)</u>
Company A	> 50 million
Company B	> 50 million
Company C	> 50 million
Colour Life Services Group Co., Limited	> 30 million
Company D	> 30 million
Company E	> 30 million
Company F	> 30 million

These companies generally provide property management services to residential and commercial properties. Besides property management services business, some of these companies are also engaged in the provision of some diversified services.

According to study conducted by China Index Academy in 2013, as of December 31, 2012, our Company was named China's Largest Community Services Operator in terms of the number of residential units managed. In addition, as of December 31, 2012, it was ranked second in terms of growth potential among the top 100 property management companies in 2013. It was also ranked 22nd in terms of overall strength among the top 100 property management companies in 2013.

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 via our platform. For example, we compete with vendors and e-commerce businesses directly selling water, rice and edible oils; property agents for leasing services; and advertising companies for advertising services. Moreover, as local vendors advertise on our service platform, we face competition from other advertising venues, such as e-commerce businesses.

Barrier to entry

New entrants need to comply with the qualification criteria under the relevant PRC laws and regulations. See "Laws and Regulations relating to the Industry — Legal Supervision over the Property Management Sector in the PRC — The Qualification of Property Management Enterprises." We do not believe that there are high barriers to entry in this industry, which contributes to the intense competition.

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Colour Life's competitive strengths

Our Group focuses on implementing standardization, centralization and automation strategy. The traditional property management business model was property-based, causing inconsistencies in the service quality among different properties managed by the same company. Our business model ensures that we can centrally command and supervise the services provided by our on-site service teams and centralize certain services traditionally provided by them. We focus on implementing automation to reduce reliance on manual labor. In addition, we aim to continue to develop our community leasing, sales and other services platform to connect residents with local vendors. We have a comprehensive internal staff training system which we call the "Colour Life College." We have also established collaboration programs with professional schools by setting up courses and composing lecture materials with a view to developing new talents who can thrive under our business model and culture. For more information, see the sections entitled "Business — Our Competitive Strengths" and "Business — Our Business Strategies."

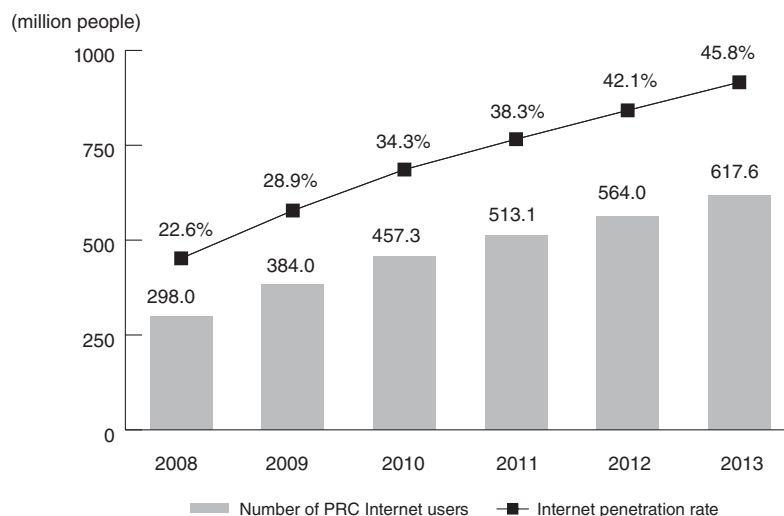
E-COMMERCE INDUSTRY IN THE PRC

iResearch Consulting Group and Its Methodology

Data below include information we purchased the right to use and quote from iResearch Consulting Group at a total cost of approximately RMB120,000, and other information quoted from publicly available sources. Established in 2002 and with more than 200 experts, iResearch Consulting Group is an organization focusing on in-depth research in China's Internet industry, including e-commerce. Since its establishment, iResearch Consulting Group has accumulated extensive experience in researching and monitoring the development of the Internet industry in the PRC. iResearch Consulting Group gathers its data through its online questionnaires, its interviews with industry experts and participants, publicly available information and its own research.

Internet Penetration and Usage in China

According to the China Internet Network Information Center, China has experienced notable growth in Internet penetration rate and the number of Internet users in recent years. The chart below sets forth the Internet penetrate rate and the number of Internet users in China from 2008 to 2013:

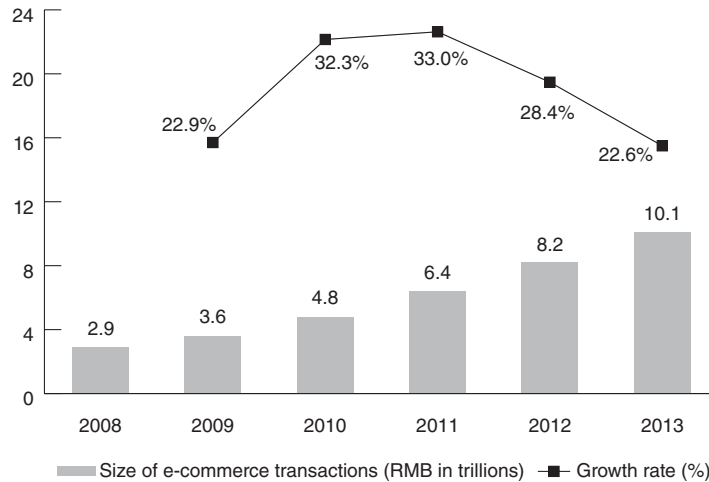


Source: China Internet Network Information Center

INDUSTRY OVERVIEW

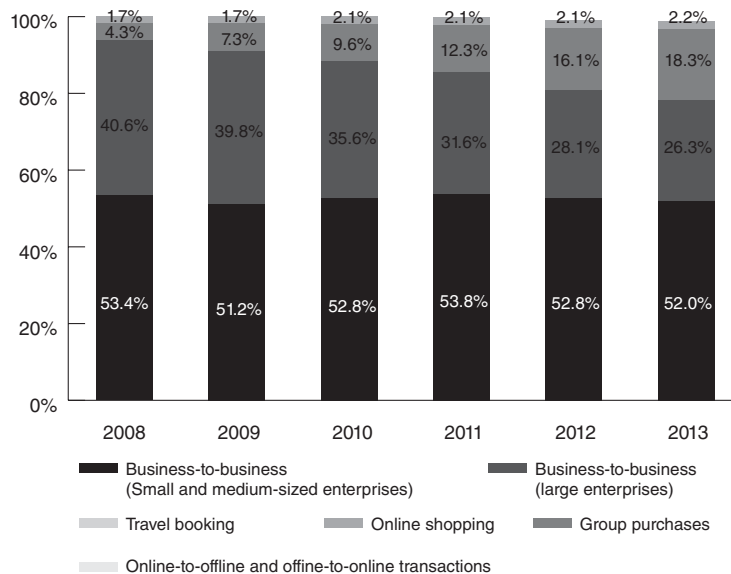
Size and Components of China's E-Commerce Transactions

In 2013, the value of e-commerce transactions in China amounted to RMB10.1 trillion, according to iResearch Consulting Group. iResearch Consulting Group concludes that the rapid growth is attributable to (i) policy support, as evidenced by the e-commerce "Twelve-Five" development planning published by the MIIT, and (ii) the increasing penetration of e-commerce among small and medium-sized enterprises. The chart below sets forth the growth of China's e-commerce transactions from 2008 to 2013:



Source: iResearch Consulting Group

The chart below sets forth the different components of China's e-commerce transactions from 2008 to 2013:



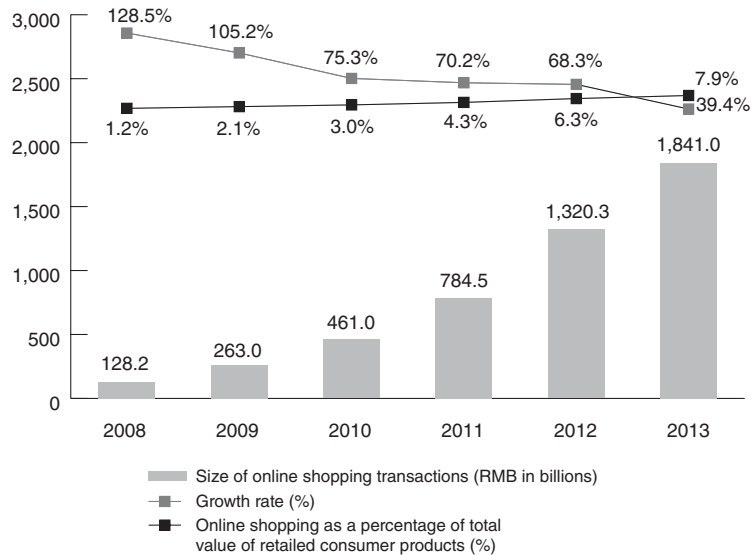
Source: iResearch Consulting Group

Note: Group purchases amounted to a negligible percentage in 2008, 2009 and 2010, and 0.2% in 2011. Starting from 2012, iResearch Consulting Group has modified the categorization of China's e-commerce transactions in its research. The new category of "online-to-offline and offline-to-online transactions" refers to transactions during which consumers, through the use of Internet and mobile Internet, purchase mainly services. Consumers can first purchase the services online and then enjoy such services offline. These also include transactions paid through barcode and acoustic payments. Online-to-offline and offline-to-online transactions amounted to 0.9% and 1.2% of e-commerce transactions in 2012 and 2013, respectively.

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Growth of Online Shopping in China

According to iResearch Consulting Group, the value of online shopping transactions in China exceeded RMB1.8 trillion in 2013, representing a year-over-year growth of 39.4% from 2012 and amounting to 7.9% of total value of retailed consumer products in 2013. iResearch Consulting Group attributes such increase primarily to the rise of business-to-customer e-commerce, which is more sizeable than their customer-to-customer competitors and offers better transparency and a more secure shopping environment for users. The chart below sets forth certain data of China's online shopping from 2008 to 2013:

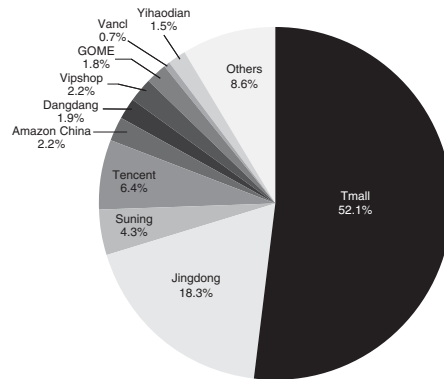


Source: iResearch Consulting Group

Note: Size of online shopping transactions represents the sum of gross merchandise value of e-commerce businesses which mainly sell real products and businesses which adopt cost-plus pricing, including the gross merchandise value of real and virtual products (excluding travel booking) in completed transactions, business (or value-added) tax and the gross merchandise value of uncompleted transactions (due to factors such as non-payment or refunds).

INDUSTRY OVERVIEW

The chart below sets forth the leading business-to-customer e-commerce businesses in China in 2013:



Source: *iResearch Consulting Group*

Note: Data include sales transacted online.

DIRECTORS' CONFIRMATION

As of the Latest Practicable Date, after taking reasonable care, our Directors confirm that there is no significant or material adverse change in the market information since the respective dates of the various data contained in this section which may qualify, contradict or have an impact on the information herein.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Our business operations are subject to extensive supervision and regulation from the PRC government. This section sets out (i) an introduction to the major PRC government authorities with jurisdiction over our current operations and (ii) a summary of the main laws, regulations and policies with which we must comply.

RELEVANT PRC GOVERNMENT AUTHORITIES

The National People's Congress and its Standing Committee

The National People's Congress is the highest power authority of the PRC and is responsible for enacting the basic laws of the PRC, including the laws relating to property management. The Standing Committee of the National People's Congress is the standing body of the National People's Congress.

The State Council

The State Council is the highest executive and administrative organ of the PRC. It is in charge of examining, approving and overseeing the healthy and steady development of all material investment projects in the PRC, including projects relating to the property management sector.

The NDRC

The NDRC formulates and implements industry policies and investment directions for national economic and social development.

The MOHURD

The MOHURD is responsible for granting the qualification certificate for property management.

The MOFCOM

The MOFCOM is responsible for formulating the development strategies, guidelines and policies of domestic and foreign trade and international economic cooperation, drafting laws and regulations governing domestic and foreign trade, consumer protection, market competition and foreign investments, and negotiating bilateral and multilateral trade agreements.

THE MPS

The MPS is the administrative organ of the State Council for nationwide public security. It is responsible for formulating the strategies, policies and laws relating to public security, including parking regulations.

The MHRSS

The MHRSS is the administrative organ of the State Council of human resource and social security. It is responsible for formulating the strategies, policies, laws and regulations relating to human resource and social security.

The SAT

The SAT is the administrative organ of the State Council of tax. It is responsible for formulating the strategies, policies, laws and regulations relating to tax.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

THE MOF

The MOF is the administrative organ of the State Council of finance and accounting. It is responsible for formulating the strategies, polices, laws and regulations relating to finance and accounting.

The PBOC

The PBOC is the administrative organ of the State Council of finance and accounting. It is responsible for formulating the strategies, polices, laws and regulations relating to finance and accounting.

The SAFE

The SAFE is the administrative organ of the State Council of exchange management. It is responsible for formulating the strategies, polices, laws and regulations relating to exchange management.

The CSRC

The CSRC is the administrative organ of the State Council of stocks and other derivatives. Its primary responsibilities are to formulate relevant strategies, polices, laws and regulations relating to securities and the securities market.

THE SAIC

The SAIC is the administrative organ of the State Council. Its main duty is to concentrate on market inspection and administrative enforcement. The SAIC is responsible for formulating the strategies, polices, laws and regulations relating to market inspection and administrative enforcement.

The MIIT

The MIIT is the administrative organ of the State Council of industry and information. It is responsible for formulating the strategies, polices, laws and regulations relating to industry and information technology.

LEGAL SUPERVISION OVER THE PROPERTY MANAGEMENT SECTOR IN THE PRC

Foreign-invested Property Management Enterprises

According to the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (Order No.346 of the State Council) (the “**Foreign Investment Orientation Provision**”), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, projects with foreign investment shall fall into four categories, namely encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects with foreign investment shall be listed in the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)) (the “**Catalogue**”), while any project not listed in the Catalogue is deemed to be a permitted project for foreign investment.

According to the Catalogue, which was jointly amended by the NDRC and the MOFCOM on December 24, 2011 and came into effect on January 30, 2012, the property management industry falls into the category of industries in which foreign investment is permitted. Foreign-invested property management enterprises are permitted to be incorporated as a Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly foreign owned

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

enterprise in accordance with the Catalogue and other relevant requirements of the laws and administrative regulations regarding foreign-invested enterprises. Foreign invested property management enterprises shall obtain approvals from the competent commercial authority and obtain the Approval Certificate for Foreign-invested Enterprise prior to their registration with the local Administration for Industry and Commerce.

The Qualification of Property Management Enterprises

According to the Regulation on Property Management (《物業管理條例》) (Order No.379 of the State Council), which was promulgated by the State Council on June 8, 2003, and came into effect on September 1, 2003 and was amended on August 26, 2007, a qualification system for enterprises engaging in property management activities has been adopted. According to the Measures for the Administration on Qualifications of Property Management Enterprises (《物業管理企業資質管理辦法》) (Order No.125 of the MOHURD) (the “**Property Management Enterprises Qualification Measure**”), which was promulgated by the MOHURD on March 17, 2004, came into effect on May 1, 2004 and was amended on November 26, 2007, a newly established property management enterprise shall, within 30 days from the date of the receipt of its business license, apply for the property management qualification to the competent real estate administration department of the people’s government of the municipalities directly under the PRC government or cities divided into districts in the locality of its industry and commerce registration. The competent departments of qualification examination and approval shall review the qualification and issue property management qualification certificates to the property management enterprises which meet the conditions for the corresponding qualification class.

According to the Property Management Enterprises Qualification Measure, the qualifications of a property management enterprise shall be classified into first, second and third classes. For the different classes of the qualification, the Property Management Enterprises Qualification Measure has laid out specific criteria for each class. Applicants have to meet detailed requirements in relation to their (i) registered capital; (ii) number of professional employees; (iii) types of properties managed; and (iv) areas of different types of properties managed. The competent construction administration department of the State Council shall be responsible for the issuance and administration of the first class qualification certificate of the property management enterprises. The competent construction administration departments of the people’s government of provinces and autonomous regions shall be responsible for the issuance and administration of the second class qualification certificate of the property management enterprises, and the competent construction administration departments of the people’s governments of municipalities directly under the central government shall be responsible for the issuance and administration of the second and the third class qualification certificate of the property management enterprises. The competent construction administration departments of the people’s government of the cities divided into districts shall be responsible for the issuance and administration of the third class qualification certificate of the property management enterprises.

Property management enterprises with the first class qualification are permitted to undertake any real estate management projects. The property management enterprises with the second class qualification are permitted to undertake the real estate management of residential projects under 300,000 sq.m. and non-residential projects under 80,000 sq.m. The property management enterprises with the third class qualification are permitted to undertake the real estate management of residential projects under 200,000 sq.m. and non-residential projects under 50,000 sq.m. Property management enterprises must undergo annual inspections to maintain qualifications.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

If property management enterprises do not obtain the qualification certificates for property management enterprises, or if the projects they undertake exceed the operation scope of their qualification grade, the property management enterprises may be ordered to surrender any income unlawfully earned from such activities and pay a fine.

Appointment of the Property Management Enterprise

According to the Law on Property (《物權法》) (Order No.62 of the President of the PRC), which was promulgated by the National People's Congress on March 16, 2007 and came into effect on October 1, 2007, property owners can either manage the buildings and the ancillary facilities by themselves, or entrust the matter to a property management enterprise or other custodians. Property owners are entitled, according to the laws, to replace the property management enterprise or other custodians employed by the developer. Property management enterprises or other custodians shall manage the buildings and the ancillary facilities within the district of the building as entrusted by the owners, and shall be subject to the supervision by the owners.

According to the Regulation on Property Management, a general meeting of the property owners in a property can engage or dismiss the property management enterprise with affirmative votes of owners who exclusively own more than half of the total construction area of the building(s) and who account for more than half of the total number of the property owners. Before the formal engagement with a property management enterprise by a general meeting of the owners, a written initial service contract shall be signed between the construction institutions (for example, a property development enterprise) and a property management enterprise. The property management contract sets out the terms according to which the property management enterprise undertakes to repair, maintain and manage of the all installations and equipment within the relevant buildings and ancillary areas. The initial service contract shall be terminated once a property management contract is signed between the property owners' associations and the property management enterprise.

According to the Temporary Measures on the Tendering and Bidding for Initial Property Management Services (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang 2003 No. 130), which was promulgated by the MOHURD on June 26, 2003 and came into effect on September 1, 2003, initial property management services shall be conducted by the property management enterprise employed by the developer before any property management enterprise has been engaged by the property owners and owners' association. The developer of residential buildings and non-residential buildings located in the same property management areas shall engage the property management enterprises of the same and corresponding qualification through the process of tendering and bidding. Developers shall establish a bid evaluation committee consisting of an odd number of five or more members, at least two thirds of whom shall be property management experts who are not representatives of the developer issuing the tender. The property management experts shall be selected on a random basis from a list of experts compiled by the local real estate administrative department. In cases where there are less than three bidders or the property is of minor scale, upon the approval of the competent real estate administration department of people's government of the district and county in the locality of the property, the developer of the property may engage a property management enterprise directly through a contract.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Fees Charged by Property Management Enterprises

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), which was jointly promulgated by the NDRC and the MOHURD on November 13, 2003 and came into effect on January 1, 2004, property management enterprises are permitted to charge fees from property owners for the maintenance, conservation and management of properties, ancillary facilities and related grounds, and the maintenance of the environmental health and order of relevant areas according to relevant property management contracts.

The competent price administration department and construction administration department of the State Council shall be jointly responsible for the supervision over and administration of the fees charged by property management enterprises nationwide. The competent price administration departments of the people's government above county level and the competent property administration departments of the same level shall be jointly responsible for the supervision over and administration of the fees charged by property management enterprises in their respective administrative regions.

The fees charged by property management enterprises shall be based on both government guidance prices and market-regulated prices on the basis of the nature and features of properties of various kinds. The specific pricing principles shall be determined by the competent price administration departments and property administration departments of the people's governments of each province, autonomous region and municipality directly under the central government.

As agreed between the property owners and property management enterprise, the fees for the property management services can be charged either as a lump sum of all property management fees collected, in which case the property owners pay fixed property management fees to the property management enterprise who shall enjoy or assume all the profits or losses as its own risk, or a fixed percentage of the property management fees collected, in which case the property management enterprise may collect its service fees in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used on the items as stipulated in the property management contract, and property owners shall enjoy or assume the surplus or shortage.

Property management enterprises shall charge service fees at an expressly marked price in accordance with the regulations of the competent price administration departments of the people's government, and display its service items and standards, charged items and standards and other related contents on the noticeable positions in the management areas publicly.

According to the Regulation on Property Management Service Fee with Clear Price Tag (《物業服務收費明碼標價規定》) (Fa Gai Jia Jian 2004 No.1428), which was promulgated by the NDRC and the MOHURD on July 19, 2004 and came into effect on October 1, 2004, property management enterprises, during their provision of services to the property owners (inclusive of the property service as stipulated in the property management contract as well as other services requested by property owners), shall charge service fees at expressly marked prices, and display their service items, standards and other related contents. In case there is any change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards one month prior to the implementation of the new standards.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

If property management enterprises do not adopt the government guidance prices according to the regional regulations, they may be ordered to surrender any income unlawfully earned from such activity, pay a fine, or in a serious case cease their business operations until their non-compliance has been rectified.

Supervision over Pricing Costs by Property Management Service Providers

According to the Measures on the Supervision over Pricing Costs by Property Management Service Providers (Trial) (《物業服務定價成本監審辦法(試行)》) (Fa Gai Jia Ge 2007 No.2285), which was promulgated by the NDRC and the MOHURD on September 10, 2007 and came into effect on October 1, 2007, the pricing cost of property management services is based on the average cost of property management services evaluated by the competent price administration department of people's government. The competent price administration department of the people's government is responsible for the supervision over and investigation of the pricing cost of property management services with the assistance of the competent property administration department of people's government. Property management service pricing costs shall consist of the staff costs, the daily operation and maintenance costs of the common parts and facilities of the property, gardening maintenance costs, sanitation and hygiene costs, security maintenance costs, insurance costs for the common parts, facilities and public liability, office expenses, management costs apportionment, depreciation for fixed assets and other costs agreed to by the property owners.

According to the Measures on the Special Fund for Residence Maintenance (住宅專項維修資金管理辦法) ((Order No.165 of the MOHURD and the MOF), which were jointly promulgated by the MOHURD and the MOF on December 4, 2007 and came into effect on February 1, 2008, a special fund shall be established for the maintenance, alteration and renovation of residential properties to be used after the expiration of the guarantee period for all communal areas, facilities and equipment of such residential properties. Residence maintenance funds shall be deposited into a special account under separate management by property owners and subject to governmental supervision. The amount an individual property owners is required to contribute to the fund shall be determined with reference to the floor area of the property owners' residence, the age of the property and the specific standards set by relevant local real estate authorities. Funds are entrusted to the local real estate authority until such time as they can be transferred to an account designated by the property owners' association upon its establishment. Residence maintenance funds are held separately, must not be appropriated for improper purposes and must be used strictly in compliance with designated procedures.

Administrations on Parking Lots

According to the Guidance on the Planning, Construction and Management of Urban Parking Facilities (《關於城市停車設施規劃建設及管理的指導意見》) (Jian Cheng 2010 No.74), which was jointly promulgated by the MOHURD, the MPS and the NDRC and came into effect on May 19, 2010, a licensed management system with market access and exit standards shall be adopted by the open, fair and equitable selection of professional urban parking service enterprises.

According to the Measures on Parking Service Fees for Vehicles (《機動車停放服務收費管理辦法》) (Ji Jia Ge 2000 No.933), which was promulgated by the NDRC on July 14, 2000 and came into effect on September 1, 2000, the competent price administration departments of the people's government above the county level shall be responsible for the management of the charges for parking service fees for vehicles.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Parking service fees for vehicles are determined under three basic pricing principles including market-regulated pricing, government guided pricing and government pricing. The specific pricing shall be determined by the price administration departments of the people's government of each province, autonomous region and municipality directly under the central government on the basis of the number of vehicles and the supply-demand relationship of parking service in their respective administrative regions. Open parking lots and underground parking lots in residential areas shall follow the government guided pricing and government pricing, while parking lots of hotels and office buildings shall follow market-regulated prices.

The formulation or adjustment of standards for parking service fees adopting government guided pricing or government pricing shall be applied by the operators of the parking lots and approved by the competent price administration department of the people's government in its locality.

Parking service fees shall be charged at expressly marked prices. The operator shall display the price notice in a noticeable position in the parking lot and toll gates, indicating the type of vehicles, service items, charging units and standards and telephone numbers for complaints and information in order to be supervised by members of the public.

Judicial Interpretation

The Interpretations on Several Issues relating to the Specific Application of Laws on the Hearing of Property Management Service Disputes(《關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) (Fa Shi 2009 No.8), which was promulgated by the Supreme People's Court on May 15, 2009 and came into effect on October 1, 2009, provides the identification principles applied by the court when hearing disputes on specific matters between property owners and property management enterprises. Subject to The Interpretations on Several Issues relating to the Specific application of Laws on the Hearing of Property Management Service Disputes, the property management contracts entered into by property developers or property owners' association on behalf of property owners according to the related regulations are legally binding on property owners, and the court shall not support if property owners plead for the cause of not being a contract party. Furthermore, the court shall support if property owners' association or property owners appealed for the court to confirm the clauses of property management contracts which exempt the responsibility of property management enterprise, and aggravate the responsibility or exempt the rights of property owners' association or property owners invalid.

LEGAL SUPERVISION OVER ENTERPRISES ENGAGED IN REPAIR AND MAINTENANCE SERVICES IN THE PRC

Enterprises engaged in the installation, alteration, repair and daily maintenance of electromechanical special equipment such as elevators must obtain a License for the Installation, Alteration, Repair & Maintenance of Special Equipment (特種設備安裝改造維修許可證), and enterprises engaged in the daily maintenance of elevators must obtain an Elevator Maintenance License. The Licensing Rules on the Installation, Alteration and Repair of Electromechanical Special Equipments (For Trial Implementation) (《機電類特種設備安裝改造維修許可規則(試行)》), (the "**Licensing Rules**") provide specific requirements for license applicants and detailed procedures regarding the application, acceptance, review and issuance of the license. Applicants that meet all requirements may file an application with the safety supervision authorities for special equipment at the provincial or municipal levels and obtain the relevant license after acceptance and investigation by the competent review agency. Enterprises shall conduct their business in accordance with the requirements stipulated in the Licensing Rules and may be subject to administrative penalties for any violation thereof.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Pursuant to the Regulations on the Management of Safety Technology in Guangdong Province (《廣東省安全技術防範管理條例》) (the “**Regulations on Safety Technology**”) and its implementation measures, the competent public security authorities shall classify enterprises engaged in the design, construction and maintenance of safety technology systems into one of four grades based on (i) the number of safety technology systems completed in the last three years, (ii) the management team, (iii) the technical staff, (iv) the number of employees holding a Certificate of Safety Technology System, and (v) the registered capital of the enterprise. The design plans of safety technology systems for construction projects and the design plans of wired or wireless safety technology systems for retro-fitting to existing buildings must be approved by the competent safety technology division of the public security authority above the county level and such safety technology systems must be checked and accepted by the governmental authority one month after commencement of trial operations and before any such safety technology system has been put into full operation. The Regulations on Safety Technology and its implementation measures also set out legal liabilities that enterprises engaged in the design, construction and maintenance of safety technology systems shall assume in the case of any the violation of the regulations.

LEGAL SUPERVISION OVER TELECOMMUNICATIONS SERVICES IN THE PRC

The Qualification for Telecommunications Services

The Telecommunications Regulations (《電信條例》) (Order No.291 of the State Council), which were promulgated by the State Council on September 25, 2000, draw a distinction between “basic telecommunication services” and “value-added telecommunication services.” Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. Under the Telecommunications Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT or its provincial level counterparts.

The Administrative Measures on Telecommunications Business Operating License (《電信業務經營許可管理辦法》) (Order No.5 of the MIIT), or the Telecom License Measures, which were promulgated by the MIIT on March 1, 2009, set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining operating licenses. For example, an ICP operator providing value-added services in multiple provinces is required to obtain an inter-regional license, whereas an ICP operator providing the same services in one province is required to obtain a local license.

Our PRC legal advisor has advised that the community leasing, sales and other services provided by Shenzhen Colour Life Network Service through the Colour Life website constitute value-added telecommunications services. To comply with these PRC laws and regulations, Shenzhen Caizhiyun Network, our ICP operator, holds the necessary ICP licenses.

If an enterprise engages in value-added telecommunication services without first obtaining an ICP license, the enterprise may be ordered to redress such violation, surrender any income unlawfully earned from such activity, pay a fine, or in a serious case cease its business operations until its non-compliance has been rectified.

Foreign Investment in Value-Added Telecommunications Businesses

According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》) (Order No.534 of the State Council), which were promulgated by the State Council on December 11, 2001, came into effect on January 1, 2002

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

and was amended on September 10, 2008, a foreign investor may hold no more than a 50% equity interest in a value-added telecommunications services provider in China and such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record.

According to the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the “**Circular**”), which was promulgated by the MIIT (formerly known as the Ministry of Information Industry) in July 2006, foreign investors shall set up foreign-invested enterprises and obtain ICP Licenses to invest in telecommunications businesses or conduct any commercial ICP business in China. Under this Circular, a domestic company that holds an ICP License is prohibited from leasing, transferring or selling the license to foreign investors in any form and from providing any assistance, including providing resources, sites or facilities to foreign investors that conduct unlicensed value-added telecommunications businesses in China. Furthermore, certain relevant assets, such as the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local ICP License holder or its shareholders. This Circular further requires each ICP License holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. If an ICP License holder fails to comply with the requirements in this Circular and fails to remedy such non-compliance within a specified period of time, the MIIT or its local counterparts have the discretion to take administrative measures against such license holder, including revoking its ICP License.

Internet Information Services and Content

According to the Measures on Internet Information Services (《互聯網信息服務管理辦法》) (Order No.292 of the State Council), which were promulgated by the State Council on September 25, 2000 and revised on January 8, 2011, entities engaged in the provision of Internet information services within the PRC shall obtain either (i) an ICP License issued by the MIIT or its local bureau, if the services in question are regarded as “commercial Internet information services”; or (ii) an ICP filing with the local MIIT bureau, if the services in question are regarded as “non-commercial services.” The former refers to “information, web page creation and other services provided to Internet users via the Internet for consideration,” while the latter refers to “services that provide information of a publicly available and accessible nature to Internet users via the Internet for gratis.” If an Internet information service provider fails to obtain an ICP License or make an ICP filing, the relevant local branch of the MIIT may levy fines, confiscate its income or even block its website. The concepts of commercial and non-commercial Internet information services are stipulated generally and hence leave much room for interpretation by the local MIIT bureau in its approval practice.

The Measures on Internet Information Service further specify that Internet content providers are prohibited from providing services beyond that included in the scope of their business license or other required licenses or permits, and clearly specify a list of prohibited contents. Internet content providers must monitor and control the information posted on their websites. If any prohibited content is found, they must remove the offending content immediately, keep a record and report to the relevant authorities.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

LEGAL SUPERVISION OVER LABOR PROTECTION IN THE PRC

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (Order No.28 of the President) (the “**Labor Law**”), which was promulgated by the Standing Committee of the National People’s Congress on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law (《勞動合同法》) (Order No.65 of the President), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》) (Order No.535 of the State Council), which was promulgated on September 18, 2008 and became effective since the same day, regulate both parties through a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Labor Contract Law.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance (《社會保險法》) (No.35 of the President), which was promulgated on October 28, 2010 and became effective on July 1, 2011, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) (Order No.262 of the State Council), which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002, housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee.

The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies who violate the above regulations and fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach these regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

According to the EIT Law, which was promulgated by the National People's Congress on March 16, 2007 and came into effect on January 1, 2008, and the Implementation Regulations on the Enterprises Income Tax Law (《企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, a uniform income tax rate of 25% will be applied to PRC enterprises, foreign-invested enterprises and foreign enterprises which have established production and operation facilities in the PRC. These enterprises are classified as either resident enterprises or non-resident enterprises.

According to the EIT Law and its implementing regulations, PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are non-resident enterprises (who do not have an establishment or place of business in the PRC, or that have such establishment or place of business but to whom the relevant income tax is not effectively connected) to the extent that such dividends have their source within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction of the non-resident enterprise which may reduce or provide exemption to the relevant tax. Similarly, any gain realized on the transfer of shares by such investor is subject to 10% PRC income tax rate (or lower treaty rate if applicable) if such gain is regarded as income derived from sources within the PRC.

According to the Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was promulgated by the SAT on August 21, 2006 and came into effect on December 8, 2006, a company incorporated in Hong Kong will be subject to withholding tax at the lower rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company. According to the Notice on the Understanding and Identification of the Beneficial Owners in the Tax Treaty (《關於如何理解和認定稅收協定中“受益所有人”的通知》) (Guo Shui Han 2009 No.601), which was promulgated by the SAT and became effective on October 27, 2009, tax treaty benefits will be denied to “conduit” or shell companies without business substance, and a beneficial ownership analysis will be used based on a substance-over-form principle to determine whether or not to grant tax treaty benefits.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

According to the Notice on Strengthening the Administration of Enterprises Income Tax on Income From Transfers of Equity Interests by Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), which was promulgated by the SAT on December 10, 2009 with retroactive effect from January 1, 2008, and the No. 24 Public Notice in 2011 (《國家稅務總局公告2011年第24號》), which was promulgated by the SAT on March 28, 2011, in the event that a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through disposing of the equity interests of an overseas holding company, and the actual tax imposed on the capital gain from the equity transfer is lower than 12.5%, or the jurisdiction in which the overseas holding company is established excludes foreign-sourced capital gain income, the foreign investor shall report this indirect transfer to the competent tax departments of the PRC. Under the substance over form principle, PRC tax departments may disregard the existence of the overseas holding company if such company lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of 10% and the foreign investor may be subject to penalty for any late tax payment.

Business Tax

According to the Temporary Regulations on Business Tax (《營業稅暫行條例》) (Order No.136 of the State Council), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, and the Detailed Implementing Rules on the Temporary Regulations on Business Tax (《營業稅暫行條例實施細則》), which was promulgated by the MOF and the SAT and came into effect on December 25, 1993, was amended on May 22, 1997, December 15, 2008 and further amended on October 28, 2011, business tax is imposed on income derived from the furnishing of specified services and transferring of immovable property or intangible property at rates ranging from 3% to 20%, depending on the activity.

Value-added Tax

According to the Temporary Regulations on Value-added Tax (《增值稅暫行條例》) (Order No.538 of the State Council), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (《增值稅暫行條例實施細則》) (Order No.65 of the MOF), which was promulgated by the MOF and came into effect on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》) (Cai Shui 2011 No.110), which was promulgated by the MOF and the SAT, the State began to launch taxation reforms in a gradual manner with effect from January 1, 2012, whereby the collection of value-added tax in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

LEGAL REGULATIONS OVER FOREIGN EXCHANGE IN THE PRC

According to the Regulations on the Control of Foreign Exchange (《外匯管理條例》) (Order No.193 of the State Council), which was promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, foreign exchange receipts of domestic institutions or individuals may be transferred to the PRC or deposited abroad; the conditions for transfer to the PRC or overseas deposit, time limit and other contents shall be specified by the foreign exchange control department of the State Council according to the international receipts and payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange according to the relevant provisions of the State. Domestic institutions or individuals that make direct investments abroad or are engaged in the distribution or trade of overseas valuable securities or derivative products shall go through the formalities for registration according to the provisions of the foreign exchange control department of the State Council. Said institutions or individuals shall submit relevant documentation for examination and approval or record-filing prior to foreign exchange registration, if they shall be subject to the approval of or record-filing with the competent administration departments in advance as required by the State. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

According to the Regulations on Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Yin Fa 1996 No.210), which was promulgated by the PBOC on June 20, 1996, and came into effect on July 1, 1996, foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

According to the Notice on Issues relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicles(《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (Hui Fa 2005 No.75), which was promulgated by the SAFE on October 21, 2005, and came into effect on November 1, 2005, the term “special purpose company” refers to any offshore company established or controlled by a PRC resident for the purpose of carrying out financing of equity interests (including convertible bond financing) in any PRC domestic enterprise. Prior to establishing or assuming control of such a special purpose company, a PRC resident (whether a naturalized or legal person) must complete the overseas investment foreign exchange registration or filing procedures with the relevant local SAFE branch. The Notice also requires PRC residents to register with the local SAFE branch after contributing their assets or shares of a domestic enterprise to an overseas special purpose company, or raising funds overseas after such a contribution. In addition, PRC residents are required to update their registration or filing with the local branch of SAFE within 30 days after the occurrence of any material change involving capital variation such as an increase or decrease in capital, transfer or swap of shares, merger, division, long-term equity or debt investment, or the creation of any security interest with respect to that special purpose company without a round-trip investment being made. The Notice also applies retroactively meaning any PRC residents who have established or acquired control of such special purpose companies that have made onshore investment in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration or filing procedures.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

According to the Notice on Improving of Relevant Business Operations Issues Concerning the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (Hui Zong Fa 2008 No.142), which was promulgated by the SAFE and came into effect on August 29, 2008, (i) the capital verification of a foreign-invested enterprise shall be conducted by accountants before the foreign-invested enterprise applies for the payment and settlement of foreign currency capital, and (ii) the RMB funds converted from the foreign currency capital of a foreign-invested enterprise may only be used within its approved scope of business and cannot be used for equity investments or acquisitions within the PRC unless specifically provided for otherwise. The use of such RMB capital may not be changed without SAFE's approval, and may not, in any case, be used to repay or prepay RMB loans if such loans have not been used.

LEGAL REGULATIONS OVER DOMAIN NAMES IN THE PRC

The Measures on the Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) (Order No.30 of the MIIT), which was promulgated by the MIIT on November 5, 2004 and came into effect on December 20, 2004, provides the registration of domain names in Chinese with the Internet country code of “.cn”.

According to the Measures on Domain Names Dispute Resolution (《中國互聯網絡信息中心域名爭議解決辦法》), which was promulgated by the China Internet Network Information Centre on May 28, 2012 and came into effect on June 28, 2012, domain name disputes are required to be submitted to institutions authorized by the China Internet Network Information Centre for resolution.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

HISTORY AND DEVELOPMENT

History

Before the incorporation of our Company, our operating subsidiaries were an integral part of the Fantasia Group, the shares of which are listed on the Main Board of the Stock Exchange. The history of our main business segment, the property management segment, can be traced back to the business commencement of Shenzhen Colour Life Property Management on May 10, 2002. Shenzhen Colour Life Property Management was established by, among others, Shenzhen Fantasia Investment Development Co., Ltd., a subsidiary of the Fantasia Group, and Mr. Pan Jun (潘軍), our Non-executive Director, with a view to creating a complementary business segment to the Fantasia Group's core business in property development. In the same year, Mr. Tang Xuebin (唐學斌), our Executive Director and chief executive officer, joined our Group as a member of our senior management team. Our property management services business included services such as security, cleaning, gardening, repair and maintenance primarily for residential communities.

To complement our property management services, in 2002, we began to provide community leasing, sales and other services to the residents and property owners of the residential communities managed by us. These community leasing, sales and other services primarily include purchase assistance services for basic daily necessities such as beverage and newspapers, with a goal to improve their living quality and convenience at these residential communities. Since our commencement of operations in 2002 and after having established all of our three business segments in Shenzhen, we began to expand our business to other cities in the PRC outside Shenzhen in 2004.

In December 2006, we commenced our engineering services business through the acquisition of Shenzhen Kaiyuan Tongji, a company which is primarily engaged in the provision of engineering services to property developers and the residential communities that we manage in Shenzhen. In June 2007, we started to centralize our provision of community leasing, sales and other services through Shenzhen Colour Life Network Service, which primarily included provision of common area rental assistance and purchase assistance services.

As of December 31, 2013, our property management business covered 60 cities in the PRC where we were contracted to manage 436 residential communities and provide consultancy services to 179 residential communities.

Business Development Milestones

The following events are the key business milestones of our Group since its establishment:

Year	Events
2002	Shenzhen Colour Life Property Management commenced its operations on May 10, 2002 in Shenzhen, the PRC.
2003	Shenzhen Colour Life Property Management was certified under ISO 9001 and ISO 14001 for the quality of its property management services.
2004	We began to expand our business to other cities in the PRC outside Shenzhen.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Year	Events
2006	<p>Shenzhen Colour Life Property Management was certified under ISO 9001 for the quality of its property management services.</p> <p>Shenzhen Colour Life acquired Shenzhen Kaiyuan Tongji on December 5, 2006.</p>
2007	<p>Shenzhen Colour Life Network Service was established on June 12, 2007, as our principal subsidiary providing community leasing, sales and other services to residents and property owners in the residential communities managed by us.</p> <p>Shenzhen Colour Life Network Service commenced its operations, which primarily included provision of common area rental assistance and purchase assistance services.</p> <p>Shenzhen Colour Life Network Service started to launch the website www.colourlife.com.</p>
2011	<p>Our Company was established on March 16, 2011.</p>
2013	<p>Shenzhen Colour Life Network Service launched our mobile application, another medium through which the residents and property owners in the residential communities that we managed or provided consultancy services to can access our online platform.</p>

CORPORATE DEVELOPMENT

We summarize below our major operating subsidiaries for each of our business segments:

Name of subsidiary	Date and place of incorporation	Details of acquisition/ establishment	Reference
Property management services business			
Shenzhen Colour Life Property Management	December 11, 2000, the PRC	Acquisition of Shenzhen Colour Life Property Management by Shenzhen Colour Life from Fantasia Group (China) on November 13, 2006.	Please refer to the section entitled “— Property management services business — Shenzhen Colour Life Property Management”
Nanjing Mingcheng Property Management	May 30, 2002, the PRC	Acquisition of Nanjing Mingcheng Property Management by Shenzhen Colour Life from Mr. Huang Jianxin (黄建新) and Ms. Huang Jianqin (黄建琴) on January 8, 2013. Save for their interest in Nanjing Mingcheng Property Management, each of Mr. Huang Jianxin (黄建新) and Ms. Huang Jianqin (黄建琴) are Independent Third Parties.	Please refer to the section entitled “— Property management services business — Nanjing Mingcheng Property Management”

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Name of subsidiary	Date and place of incorporation	Details of acquisition/ establishment	Reference
Nanjing Huitao Property . . .	September 29, 2006, the PRC	Acquisition of Nanjing Huitao Property by Shenzhen Colour Life from Mr. Wu Tao (吳濤) and Mr. Ma Xu (馬旭) on April 10, 2013. Mr. Ma Xu (馬旭) is an Independent Third Party. Save for his interest in Nanjing Huitao Property, Mr. Wu Tao (吳濤) is an Independent Third Party.	Please refer to the section entitled “— Property management services business — Nanjing Huitao Property”
Engineering services business			
Shenzhen Kaiyuan Tongji . . .	November 15, 2001, the PRC	Acquisition of Shenzhen Kaiyuan Tongji by Shenzhen Colour Life from Ms. Zhou Bei (周蓓) and Shanghai Tongji Building Technology Co., Ltd. (上海同濟樓宇科技有限公司) on December 5, 2006. Each of Ms. Zhou Bei (周蓓) and Shanghai Tongji Building Technology Co., Ltd. (上海同濟樓宇科技有限公司) is an Independent Third Party.	Please refer to the section entitled “— Engineering services business — Shenzhen Kaiyuan Tongji”
Community leasing, sales and other services business			
Shenzhen Colour Life Network Service	June 12, 2007, the PRC	Establishment of Shenzhen Colour Life Network Service by Shenzhen Colour Life.	Please refer to the section entitled “— Community leasing, sales and other services business — Shenzhen Colour Life Network Service”
Shenzhen Xingyanhang Real Estate	April 23, 2007, the PRC	Acquisition of Shenzhen Xingyanhang Real Estate by Shenzhen Colour Life from Shenzhen Siyuan Xingye Real Estate Consultancy Co., Ltd. (深圳思源興業房地產經紀有限公司) (“ Shenzhen Siyuan Consultancy ”) (formerly known as Shenzhen Xingyan Property Consultancy Co., Ltd. (深圳市星彥地產顧問有限公司)) and Fantasia Group (China) on July 7, 2010 and November 15, 2011. Shenzhen Siyuan Consultancy Co., Ltd. is an Independent Third Party.	Please refer to the section entitled “— Community leasing, sales and other services business — Shenzhen Xingyanhang Real Estate” and “— Reorganization — Internal reorganization of Shenzhen Xingyanhang Real Estate”
Shenzhen Qianhai Caizhiyun	April 22, 2013, the PRC	Establishment of Shenzhen Qianhai Caizhiyun by Colour Cloud Group (HK).	Please refer to the section entitled “— Reorganization — Establishment of certain subsidiaries”

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Name of subsidiary	Date and place of incorporation	Details of acquisition/ establishment	Reference
Shenzhen Qianhai Caifubao	May 7, 2013, the PRC	Establishment of Shenzhen Qianhai Caifubao by Colour Pay Group (HK).	Please refer to the section entitled “— Reorganization — Establishment of certain subsidiaries”
PRC holding company			
Shenzhen Colour Life	August 25, 2006, the PRC	Acquisition of Shenzhen Colour Life by Shenzhen Colour Life Community Technology from Yahoo Technology on March 15, 2013.	Please refer to the section entitled “— Reorganization — Intragroup reorganization of subsidiaries”

As part of our corporate development, we established and acquired our major subsidiaries for each of our business segments through the following steps:

Property Management Services Business

Shenzhen Colour Life Property Management

Shenzhen Colour Life Property Management is principally engaged in property management and was established in the PRC on December 11, 2000 with an initial registered capital of RMB5,000,000. As of the date of establishment, Shenzhen Colour Life Property Management was owned as to 90% by Shenzhen Fantasia Investment Development Co., Ltd. (深圳市花樣年投資發展有限公司) (formerly known as Shenzhen Xingyan Investment Development Co., Ltd. (深圳市星彥投資發展有限公司)), as to 5% by Mr. Pan Jun (潘軍) and as to 5% by Mr. Chen Yue (陳越).

Since the date of its establishment, Shenzhen Colour Life Property Management has undertaken a series of equity transfers after which Shenzhen Colour Life Property Management became wholly owned by Fantasia Group (China).

On October 30, 2006, Fantasia Group (China), the then sole shareholder of Shenzhen Colour Life Property Management, entered into an equity transfer agreement with Shenzhen Colour Life pursuant to which Fantasia Group (China) agreed to transfer its 100% interest in Shenzhen Colour Life Property Management to Shenzhen Colour Life for a consideration of RMB4,865,020 which was determined based on arm’s length negotiations between the parties. On November 13, 2006, an updated business license reflecting such transfer was granted by the relevant PRC authority. Upon completion of such transfer, Shenzhen Colour Life Property Management became wholly owned by Shenzhen Colour Life.

On December 13, 2012, the registered capital of Shenzhen Colour Life Property Management was increased from RMB5,000,000 to RMB35,000,000. Shenzhen Colour Life Property Management remained wholly owned by Shenzhen Colour Life.

As of December 31, 2013, Shenzhen Colour Life Property Management was contracted to manage 321 residential communities and provide consultancy services to 167 residential communities.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Nanjing Mingcheng Property Management

Nanjing Mingcheng Property Management is principally engaged in property management and was established in the PRC on May 30, 2002 with an initial registered capital of RMB2,000,000. As of the date of establishment, Nanjing Mingcheng Property Management was owned by the following entities each of which is an Independent Third Party and their respective contributions are set forth in the table below:

Shareholder	Capital contribution (RMB)	Approximate equity interest
Nanjing Shibo Architectural Design Co., Ltd. (南京視博建築設計有限公司)	100,000	5%
Nanjing Lixin Investment Management Co., Ltd. (南京立信投資管理有限公司)	1,800,000	90%
Nanjing Mingcheng Real Estate Development Co., Ltd. (南京名城房地產開發有限公司)	100,000	5%
Total	2,000,000	100%

Since the date of its establishment, Nanjing Mingcheng Property Management has undertaken a series of equity transfers after which Nanjing Mingcheng Property Management was then owned as to 95% by Mr. Huang Jianxin (黃建新) and as to 5% by Ms. Huang Jianqin (黃建琴).

On December 8, 2012, each of Mr. Huang Jianxin (黃建新) and Ms. Huang Jianqin (黃建琴) entered into an equity transfer agreement with Shenzhen Colour Life pursuant to which Shenzhen Colour Life agreed to acquire from Mr. Huang Jianxin (黃建新) and Ms. Huang Jianqin (黃建琴) 85% and 5% of their interest in Nanjing Mingcheng Property Management, respectively, for a total consideration of RMB5,680,000, which was determined based on arm's length negotiation between the parties. On January 8, 2013, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfers, Nanjing Mingcheng Property Management was owned as to 90% by Shenzhen Colour Life and as to 10% by Mr. Huang Jianxin (黃建新).

As of December 31, 2013, Nanjing Mingcheng Property Management was contracted to manage 15 residential communities.

Nanjing Huitao Property

Nanjing Huitao Property is principally engaged in property management and was established in the PRC on September 29, 2006 with an initial registered capital of RMB1,000,000. As of the date of establishment, Nanjing Huitao Property was owned as to 65% by Mr. Wu Tao (吳濤) and as to 35% by Mr. Yu Wenhui (余文輝).

Since the date of its establishment, Nanjing Huitao Property has undertaken a series of equity transfers after which Nanjing Huitao Property was then owned as to 80% by Mr. Wu Tao (吳濤) and as to 20% by Mr. Ma Xu (馬旭) each of whom are Independent Third Parties.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

On April 2, 2013, Shenzhen Colour Life entered into an equity transfer agreement with Mr. Wu Tao (吳濤) and Mr. Ma Xu (馬旭), pursuant to which Shenzhen Colour Life agreed to acquire from Mr. Wu Tao (吳濤) and Mr. Ma Xu (馬旭), each an Independent Third Party then holding 70% and 20% of the entire equity interest of Nanjing Huitao Property, for a total consideration of RMB5,280,000, which were determined based on arm's length negotiation between the parties. On April 10, 2013, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfers, Nanjing Huitao Property was owned as to 90% by Shenzhen Colour Life and as to 10% by Mr. Wu Tao (吳濤).

As of December 31, 2013, Nanjing Huitao Property was contracted to manage 21 residential communities.

Engineering Services Business

Shenzhen Kaiyuan Tongji

Shenzhen Kaiyuan Tongji is principally engaged in the provision of engineering services and was established in the PRC on November 15, 2001 with an initial registered capital of RMB2,000,000. As of the date of establishment, Shenzhen Kaiyuan Tongji was owned as to 36.5% by Shenzhen Kaiyuan International Property Management Co., Ltd. (深圳市開元國際物業管理有限公司) (formerly known as Shenzhen Zhonghai Waicheng Property Management Co., Ltd. (深圳市中海外承物業管理有限公司)) and as to 63.5% by Shanghai Tongji Building Technology Co., Ltd. (上海同濟樓宇科技有限公司) each of which is an Independent Third Party.

Since the date of its establishment, Shenzhen Kaiyuan Tongji has undertaken a series of equity transfers after which Shenzhen Kaiyuan Tongji was owned as to 74.6% by Ms. Zhou Bei (周蓓) and as to 25.4% by Shanghai Tongji Building Technology Co., Ltd. (上海同濟樓宇科技有限公司).

On October 30, 2006, Ms. Zhou Bei (周蓓), the then majority shareholder of Shenzhen Kaiyuan Tongji, and Shanghai Tongji Building Technology Co., Ltd. (上海同濟樓宇科技有限公司) entered into an equity transfer agreement with Shenzhen Colour Life pursuant to which Shenzhen Colour Life agreed to acquire from Ms. Zhou Bei (周蓓) and Shanghai Tongji Building Technology Co., Ltd. (上海同濟樓宇科技有限公司) their 74.6% and 25.4% interests in Shenzhen Kaiyuan Tongji, respectively, for a consideration of RMB2,986,248 and RMB1,016,765, respectively, which was determined based on arm's length negotiation between the parties. On December 5, 2006, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfers, Shenzhen Kaiyuan Tongji became wholly owned by Shenzhen Colour Life.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Community Leasing, Sales and Other Services Business

Shenzhen Colour Life Network Service

Shenzhen Colour Life Network Service is principally engaged in the provision of community leasing, sales and other services and was established in the PRC on June 12, 2007 with an initial registered capital of RMB10,000,000. As of the date of establishment, Shenzhen Colour Life Network Service was wholly owned by Shenzhen Colour Life.

Shenzhen Xingyanhang Real Estate

Shenzhen Xingyanhang Real Estate is principally engaged in the provision of community leasing, sales and other services and historically provided property agency services which were gradually phased out over the Track Record Period. It was established in the PRC on April 23, 2007 with an initial registered capital of RMB4,000,000. As of the date of establishment, Shenzhen Xingyanhang Real Estate was owned as to 85% by Shenzhen Siyuan Consultancy, an Independent Third Party, and 15% by Ms. Lu Ying (路莹), a director of Shenzhen Xingyanhang Real Estate.

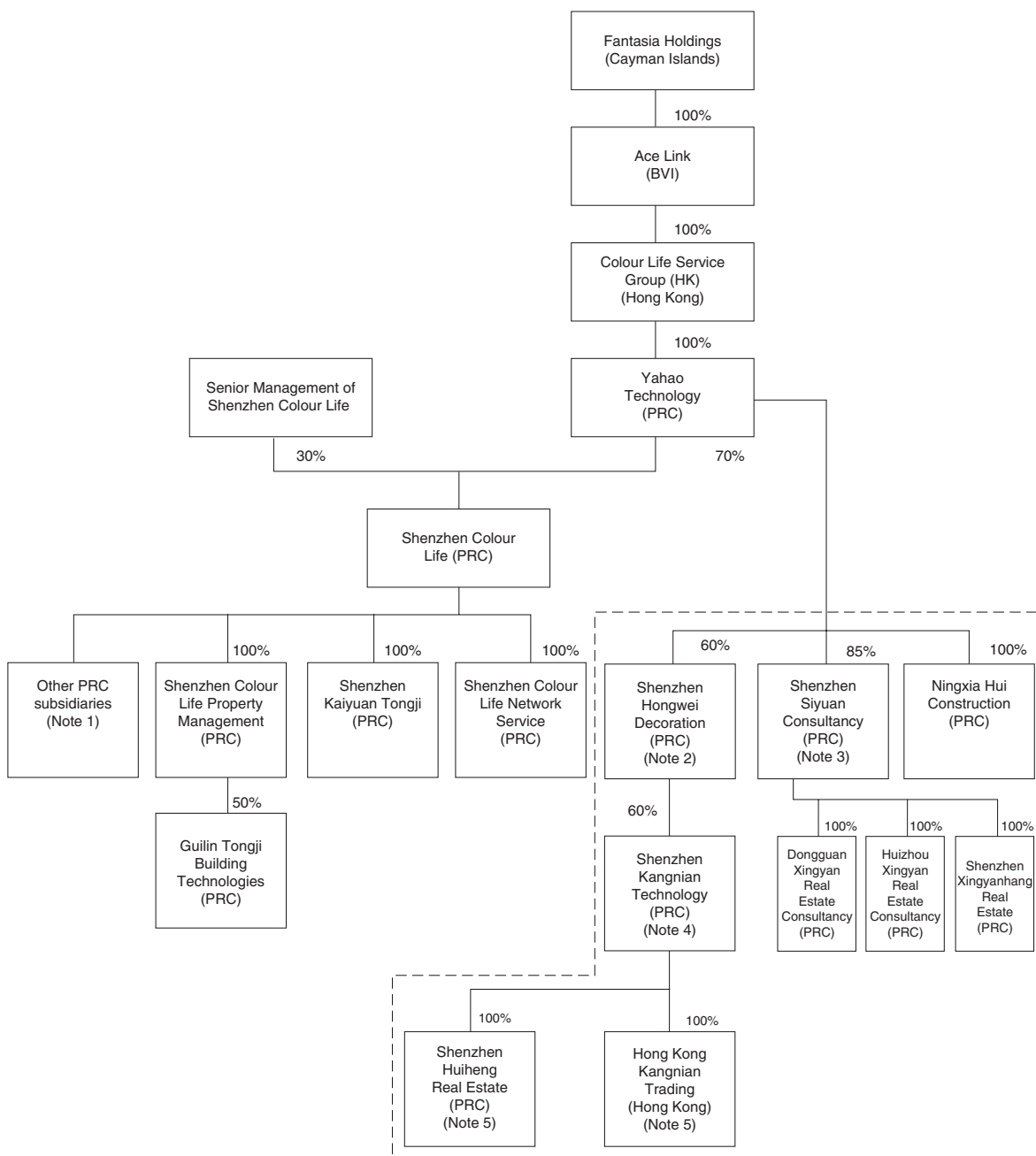
Shenzhen Xingyanhang Real Estate underwent a series of equity transfers the details of which are set out in the section entitled “— Reorganization.” Upon completion of such equity transfers, Shenzhen Xingyanhang Real Estate was owned as to 92.65% by Shenzhen Colour Life and as to 7.35% by Ms. Lu Ying (路莹).

As advised by our PRC legal advisor, all the transfers described under the section entitled “— Corporate Development” have been approved by and/or registered with the relevant PRC government authorities and were properly and legally completed and settled in each case in accordance with PRC laws, rules and regulations.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

REORGANIZATION

The following diagram illustrates our shareholding structure before the Reorganization:



Notes:

- (1) These consist of inactive PRC companies and Shenzhen Caiyue Hotel which were subsequently disposed of by our Group in order to streamline our business model.
- (2) The remaining 40% interest in Shenzhen Hongwei Decoration was held by Shenzhen Huaqianli Real Estate Development Company Limited (深圳市花千里房地產開發有限公司), a wholly owned subsidiary of Fantasia Holdings.
- (3) The remaining 15% interest in Shenzhen Siyuan Consultancy was held by Ms. Lu Ying (路瑩), a director of Shenzhen Xingyanhang Real Estate.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

- (4) The remaining 40% interest in Shenzhen Kangnian Technology was held by Shenzhen Huaqianli Real Estate Development Company Limited (深圳市花千里房地產開發有限公司), a wholly owned subsidiary of Fantasia Holdings.
- (5) Shenzhen Huiheng Real Estate and Hong Kong Kangnian Trading were the major operating subsidiaries of Yahoo Technology principally engaged in property development and property investment in the PRC, respectively.

The Reorganization comprised the following steps:

Internal Reorganization of Shenzhen Xingyanhang Real Estate

On January 27, 2010, Ms. Lu Ying (路瑩), a director of Shenzhen Xingyanhang Real Estate, entered into an equity transfer agreement with Shenzhen Siyuan Consultancy pursuant to which Ms. Lu Ying (路瑩) agreed to transfer her 15% interest in Shenzhen Xingyanhang Real Estate to Shenzhen Siyuan Consultancy for a consideration of RMB600,000 which was determined with reference to the registered capital Shenzhen Xingyanhang Real Estate as of the date of the transfer. On March 19, 2010, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Shenzhen Xingyanhang Real Estate became wholly owned by Shenzhen Siyuan Consultancy, which was in turn owned as to 85% by Yahoo Technology.

On June 3, 2010, Shenzhen Siyuan Consultancy entered into an equity transfer agreement with Shenzhen Colour Life pursuant to which Shenzhen Siyuan Consultancy agreed to transfer its 51% interest in Shenzhen Xingyanhang Real Estate to Shenzhen Colour Life for a consideration of RMB1,800,000 which was determined based on arm's length negotiations between the parties. On July 7, 2010, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Shenzhen Xingyanhang Real Estate was owned as to 51% by Shenzhen Colour Life and as to 49% by Shenzhen Siyuan Consultancy.

On July 8, 2010, Shenzhen Siyuan Consultancy entered into an equity transfer agreement with Fantasia Group (China), a wholly owned subsidiary of Fantasia Holdings, pursuant to which Shenzhen Siyuan Consultancy agreed to transfer its 41.65% interest in Shenzhen Xingyanhang Real Estate to Fantasia Group (China) for a consideration of RMB1,666,000 which was determined with reference to the registered capital of Shenzhen Xingyanhang Real Estate as of the date of the transfer. On August 26, 2010, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Shenzhen Xingyanhang Real Estate was owned by the following entities and their respective contributions are set forth in the table below:

Shareholder	Capital contribution (RMB)	Approximate equity interest
Shenzhen Colour Life	2,040,000	51%
Fantasia Group (China)	1,666,000	41.65%
Shenzhen Siyuan Consultancy	294,000	7.35%
Total	4,000,000	100%

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

On July 12, 2010, Shenzhen Siyuan Consultancy entered into an equity transfer agreement with Ms. Lu Ying (路瑩) pursuant to which Shenzhen Siyuan Consultancy agreed to transfer its 7.35% interest in Shenzhen Xingyanhang Real Estate to Ms. Lu Ying (路瑩) for a consideration of RMB294,000 which was determined with reference to the registered capital of Shenzhen Xingyanhang Real Estate as of the date of the transfer. On September 17, 2010, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Shenzhen Xingyanhang Real Estate was owned by the following entities/persons and their respective contributions are set forth in the table below:

Shareholder	Capital contribution (RMB)	Approximate equity interest
Shenzhen Colour Life	2,040,000	51%
Fantasia Group (China)	1,666,000	41.65%
Ms. Lu Ying (路瑩)	294,000	7.35%
Total	4,000,000	100%

On October 14, 2011, Fantasia Group (China) entered into an equity transfer agreement with Shenzhen Colour Life pursuant to which Fantasia Group (China) agreed to transfer its 41.65% interest in Shenzhen Xingyanhang Real Estate to Shenzhen Colour Life for a consideration of RMB1,666,000 which was determined with reference to the registered capital Shenzhen Xingyanhang Real Estate as of the date of the transfer. On November 15, 2011, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Shenzhen Xingyanhang Real Estate was owned as to 92.65% by Shenzhen Colour Life and as to 7.35% by Ms. Lu Ying (路瑩).

For the accounting implications regarding the internal reorganization of Shenzhen Xingyanhang Real Estate, please refer to the further information as set forth under the paragraph entitled “Financial Information — Basis of Preparation.”

Disposal of Unrelated Subsidiaries from Yahao Technology

On August 23, 2010, Yahao Technology transferred its 85% interest in Shenzhen Siyuan Consultancy (formerly known as Shenzhen Xingyan Property Consultancy Co., Ltd. (深圳市星彥地產顧問有限公司)) to Fantasia Group (China) for a consideration of RMB2,650,000 which was determined based on arm’s length negotiations between the parties. Upon completion of such transfer, Shenzhen Siyuan Consultancy ceased to be a subsidiary of Yahao Technology.

On March 14, 2011 and March 21, 2011, Yahao Technology transferred its 60% interest in Shenzhen Hongwei Decoration and 100% interest in Ningxia Hui Nationality Autonomous Region Xingshengji Construction Company Limited (寧夏回族自治區新聖基建築工程有限公司) (“**Ningxia Hui Construction**”) to Shenzhen Zhifu Property Development Company Limited (深圳置富房地產開發有限公司) for consideration of RMB6,000,000 and RMB20,000,000, respectively, which was determined based on arm’s length negotiation between Shenzhen Hongwei Decoration and Ningxia Hui Construction as agreed by the parties. Upon completion of such transfer, Shenzhen Hongwei Decoration and Ningxia Hui Construction ceased to be subsidiaries of Yahao Technology.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

For the accounting implications regarding the disposal of the unrelated subsidiaries from Yahoo Technology, please refer to the further information as set forth under the paragraph entitled “Financial Information — Basis of Preparation.”

Incorporation of Our Company, Acquisition of Ace Link and Interest Exchange

Our Company was incorporated in the Cayman Islands on March 16, 2011.

On July 25, 2011, our Company entered into a sale and purchase agreement with Fantasia Holdings, pursuant to which our Company acquired the entire issued share capital of Ace Link from Fantasia Holdings at a consideration of US\$100. Upon completion of such acquisition, Ace Link became a direct wholly owned subsidiary of our Company and Shenzhen Colour Life, a subsidiary of Ace Link and the holding company of our operating subsidiaries, became an indirect wholly owned subsidiary of our Company.

On July 25, 2011, Mr. Tang Xuebin (唐學斌), Mr. Dong Dong (董東), Mr. Ye Hui (葉暉), Mr. Guan Jiandong (關建東), Mr. Chang Rong (昌榮) and Mr. Wang Xuliang (王旭良) (collectively, the “**Senior Management of Shenzhen Colour Life**”) entered into an equity transfer agreement with Yahoo Technology pursuant to which the Senior Management of Shenzhen Colour Life agreed to transfer their 30% equity interest in Shenzhen Colour Life to Yahoo Technology for a consideration of RMB3,000,000. On July 25, 2011, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Shenzhen Colour Life became a wholly owned subsidiary of Yahoo Technology.

On the same date (i.e., July 25, 2011), Splendid Fortune, a company then wholly owned by the Senior Management of Shenzhen Colour Life, entered into a share transfer agreement with Fantasia Holdings, pursuant to which Fantasia Holdings agreed to transfer its 30% interest in our Company to Splendid Fortune for a consideration in an amount in US dollars equivalent to RMB3,000,000. Upon completion of such transfer, our Company was owned as to 70% by Fantasia Holdings and as to 30% by Splendid Fortune, which is in turn wholly owned by the Senior Management of Shenzhen Colour Life.

Establishment of Certain Subsidiaries

Tong Yuan was incorporated in the BVI on December 3, 2012 with an authorized share capital of US\$50,000 divided into 50,000 shares with par value of US\$1.00 each. On January 7, 2013, 100 shares were allotted and issued to our Company for a consideration of US\$100.00 which was determined with reference to the par value of the shares allotted and issued. Upon completion of such allotment, Tong Yuan became a direct wholly owned subsidiary of our Company.

Novel Era was incorporated in Hong Kong on November 16, 2012 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On January 30, 2013, one share was transferred from the initial subscriber, Blear Services Limited, a nominee company which is an Independent Third Party, and 99 shares were allotted and issued to Tong Yuan for a consideration of HK\$100 which was determined with reference to the par value of the shares transferred, allotted and issued. Upon completion of such transfer and allotment, Novel Era became an indirect wholly owned subsidiary of our Company.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Shenzhen Colour Life Community Technology was established in the PRC with limited liability with an initial registered capital of HK\$1,000,000. Shenzhen Colour Life Community Technology is wholly owned by Novel Era and is an indirect wholly owned subsidiary of our Company.

On April 22, 2013, Shenzhen Qianhai Caizhiyun was established in the PRC with limited liability with an initial registered capital of HK\$5,000,000. Shenzhen Qianhai Caizhiyun is wholly owned by Colour Cloud Group (HK) and is an indirect wholly owned subsidiary of our Company.

On May 7, 2013, Shenzhen Qianhai Caifubao was established in the PRC with limited liability with an initial registered capital of HK\$5,000,000. Shenzhen Qianhai Caifubao is wholly owned by Colour Pay Group (HK) and is an indirect wholly owned subsidiary of our Company.

Intragroup Reorganization of Subsidiaries

On March 14, 2013, Shenzhen Colour Life Community Technology and Yahao Technology entered into an equity transfer agreement, pursuant to which Shenzhen Colour Life Community Technology agreed to acquire the entire equity interest of Shenzhen Colour Life from Yahao Technology for a consideration of RMB15,000,000, which was determined with reference to the then registered capital of Shenzhen Colour Life as of the date of transfer. On March 15, 2013, an updated business license reflecting such acquisition was granted by the relevant PRC authority. Upon completion of such transfer, Shenzhen Colour Life, the holding company of our operating subsidiaries remained as an indirect wholly owned subsidiary of our Company.

On July 12, 2013, Tong Yuan acquired 10,000 shares in the share capital of Colour Cloud Group (HK) from Colour Cloud Group, representing the entire issued share capital of Colour Cloud Group (HK), for a consideration of HK\$10,000, which was determined based on the par value of the shares transferred. Upon completion of such transfer, Colour Cloud Group (HK) remained as an indirect wholly owned subsidiary of our Company.

On July 12, 2013, Tong Yuan acquired 10,000 shares in the share capital of Colour Pay Group (HK) from Colour Pay Group, representing the entire issued share capital of Colour Pay Group (HK) for a consideration of HK\$10,000, which was determined based on the par value of the shares transferred. Upon completion of such transfer, Colour Pay Group (HK) remained as an indirect wholly owned subsidiary of our Company.

Disposal of Certain Subsidiaries

On April 30, 2013, the Company disposed of the entire issued share capital of Ace Link to Zhao Xing Holdings Limited (“**Zhao Xing Holdings**”), a wholly owned subsidiary of Fantasia Holdings for a consideration of US\$100, which was determined based on the nominal value of the shares transferred. Ace Link was disposed of by our Group as part of our reorganization and delineation of our business from the Retained Group. Upon completion of such disposal, Zhao Xing Holdings held the entire share capital of Ace Link and its subsidiaries, upon which Ace Link and its subsidiaries ceased to be the subsidiaries of our Company. For the financial impact as a result of such disposal, please refer to the section entitled “Financial Information — Discontinued Operations and Their Presentation in the Consolidated Financial Statements” for further details.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

In January 2013, Shenzhen Caiyue Hotel Management Co., Ltd (深圳市彩悦酒店管理有限公司) (“**Shenzhen Caiyue Hotel Management**”) entered into an equity transfer agreement with Mr. Huang Wenhui (黃文輝) and Mr. Liu Yunhai (劉鄆海), each an Independent Third Party, pursuant to which Shenzhen Caiyue Hotel Management agreed to dispose of its entire interest in Shenzhen Caiyue Hotel Co., Ltd. (深圳市彩悦酒店有限公司) (“**Shenzhen Caiyue Hotel**”) to each of Mr. Huang Wenhui (黃文輝) and Mr. Liu Yunhai (劉鄆海) in equal shares for a consideration of RMB1,000, respectively, which was determined based on arm’s length negotiation between the parties. Upon completion of such disposal, Shenzhen Caiyue Hotel ceased to be a subsidiary of Shenzhen Caiyue Hotel Management. For the accounting implications regarding the disposal of our 100% interest in Shenzhen Caiyue Hotel, please refer to the further information as set forth under the section entitled “Financial Information — Discontinued Operations and Their Presentation in the Consolidated Financial Statements.”

On March 4, 2013, Shenzhen Colour Life entered into an equity transfer agreement with Mr. Liu Yunhai (劉鄆海) and Ms. Yu Guixiang (余桂香), each an Independent Third Party, pursuant to which Shenzhen Colour Life agreed to dispose of its entire interest in Shenzhen Caiyue Hotel Management to each of Mr. Liu Yunhai (劉鄆海) and Ms. Yu Guixiang (余桂香) in equal shares for a consideration of RMB1,000, respectively, which was determined based on arm’s length negotiation between the parties. Shenzhen Caiyue Hotel Management was disposed of by our Group to streamline our business model. Upon completion of such disposal, Shenzhen Caiyue Hotel Management ceased to be a subsidiary of Shenzhen Colour Life. For the accounting implications regarding the disposal of our 100% interest in Shenzhen Caiyue Hotel Management, please refer to the further information as set forth under the section entitled “Financial Information — Discontinued Operations and Their Presentation in the Consolidated Financial Statements.”

As advised by our PRC legal advisor, all the transfers of the PRC subsidiaries described under the section entitled “— Reorganization” have been approved by and/or registered with the relevant PRC government authorities and were properly and legally completed and settled in each case in accordance with PRC laws, rules and regulations.

Capitalization Issue prior to the Pre-IPO Investments

On May 28, 2013, our Company issued and allotted 1,386,000 Shares and 594,000 Shares to Fantasia Holdings and Splendid Fortune respectively for a total consideration of HK\$198,000. The amount standing to the credit of the distributable reserves account of our Company in the sum of HK\$198,000 was capitalized and applied in paying up in full the 1,386,000 Shares and 594,000 Shares. After such issue and allotment of Shares to Fantasia Holdings and Splendid Fortune, Fantasia Holdings and Splendid Fortune held 1,400,000 Shares and 600,000 Shares, representing 70% and 30% of the issued share capital of our Company, respectively.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Pre-IPO Investments

On May 29, 2013, our Company entered into (i) a share subscription agreement with First Shanghai, an Independent Third Party, pursuant to which our Company agreed to issue and allot to First Shanghai to hold on trust for and on behalf of 11 individual investors, who are PRC and New Zealand nationals and Hong Kong resident, and one corporate investor which is incorporated in the BVI with limited liability and an investment holding company, who are also Independent Third Parties (other than Mr. Zeng Liqing (曾李青) who is our Non-executive Director and is beneficially interested in 11,626 Shares) (the “Investors”), and First Shanghai agreed to subscribe for and on behalf of the Investors an aggregate of 69,760 Shares; and (ii) a share subscription agreement with China Bowen, an Independent Third Party, Fantasia Holdings and Splendid Fortune, pursuant to which our Company agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 Shares.

Upon completion of the above issue and allotment on June 6, 2013, Fantasia Holdings, Splendid Fortune, First Shanghai (on behalf of the Investors) and China Bowen held 1,400,000 Shares, 600,000 Shares, 69,760 Shares and 13,752 Shares, respectively.

Please refer to the section entitled “— Pre-IPO Investments by First Shanghai and China Bowen” for further details.

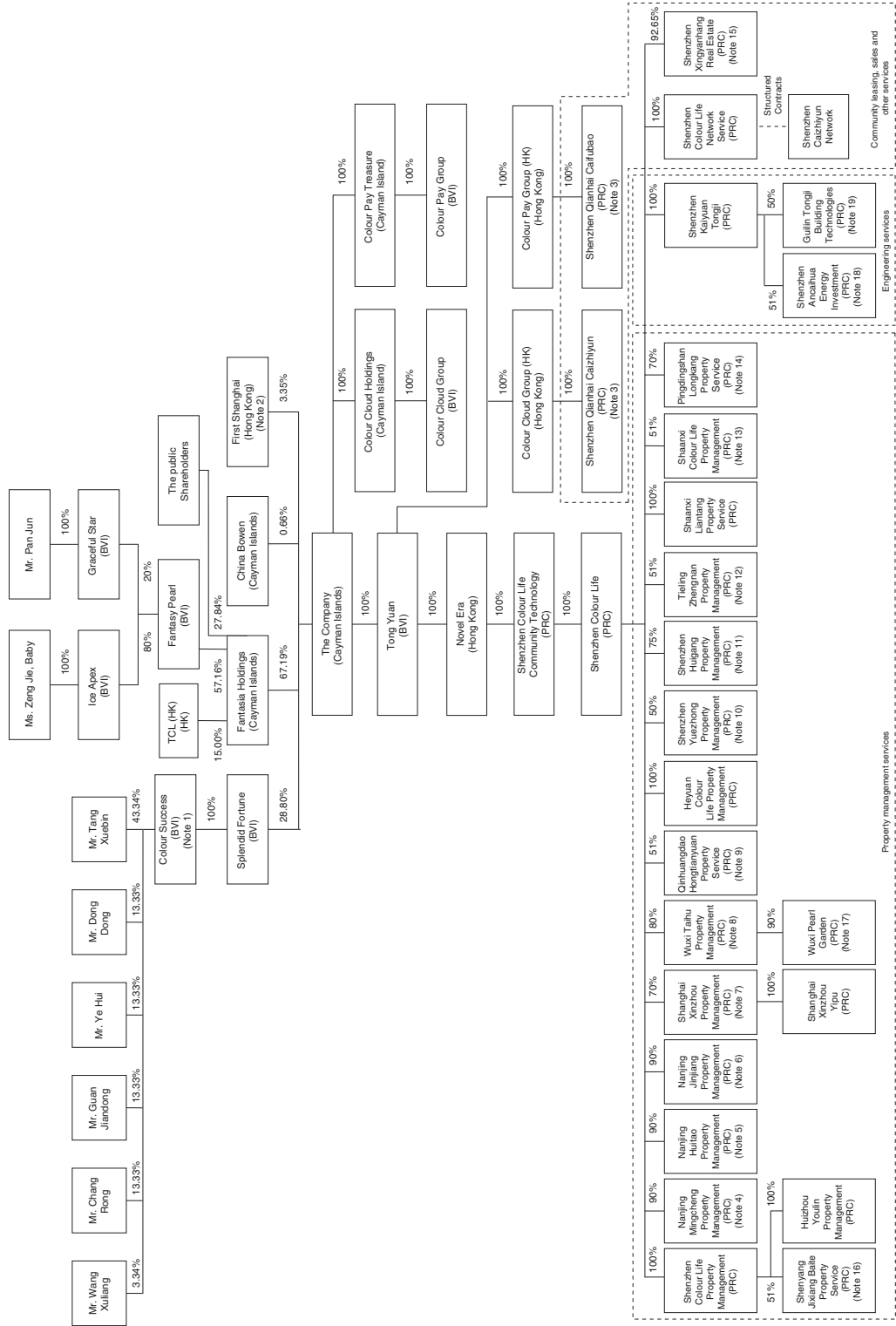
Capitalization Issue prior to the Global Offering

Conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors is authorized to capitalize the amount of HK\$74,791,648.80 from such account and apply such sum in paying up in full at par a total of 747,916,488 Shares for allotment and issue to its then shareholders, on a pro rata basis.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Our Group's Shareholding Structure After the Reorganization

The following diagram illustrates our shareholding structure after the corporate reorganization and immediately prior to the Global Offering and the Capitalization Issue:



HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Notes:

- (1) Colour Success acquired the entire issued share capital of Splendid Fortune from the Senior Management of Shenzhen Colour Life on June 24, 2013.
- (2) First Shanghai held its interest in our Company on trust for and on behalf of 12 other investors. For further details, please refer to the section entitled “— Pre-IPO Investments by First Shanghai and China Bowen.”
- (3) Shenzhen Qianhai Caizhiyun and Shenzhen Qianhai Caifubao are principally engaged in community leasing, sales and other services business.
- (4) The remaining 10% interest in Nanjing Mingcheng Property Management is held by Mr. Huang Jianxin (黃建新). Save for his interest in Nanjing Mingcheng Property Management, Mr. Huang Jianxin (黃建新) is an Independent Third Party.
- (5) The remaining 10% interest in Nanjing Huitao Property Management is held by Mr. Wu Tao (吳濤). Save for his interest in Nanjing Huitao Property Management, Mr. Wu Tao (吳濤) is an Independent Third Party.
- (6) The remaining 10% interest in Nanjing Jinjiang Property Management is held by Mr. Yu Youzhong (俞有忠). Save for his interest in Nanjing Jinjiang Property Management, Mr. Yu Youzhong (俞有忠) is an Independent Third Party.
- (7) The remaining 30% interest in Shanghai Xinzhou Property Management is held by Mr. Mao Yiqing (毛逸清) and Shanghai Zhoupu Asset Management Co., Ltd. (上海周浦資產管理有限公司). Save for their interest in Shanghai Xinzhou Property Management, each of Mr. Mao Yiqing (毛逸清) and Shanghai Zhoupu Asset Management Co., Ltd. (上海周浦資產管理有限公司) are Independent Third Parties.
- (8) The remaining 20% interest in Wuxi Taihu Property Management is held by Wuxi Taihu Garden Real Estate Management Co., Ltd. (無錫市太湖花園物業管理有限責任公司). Save for its interest in Wuxi Taihu Property Management, Wuxi Taihu Garden Real Estate Management Co., Ltd. (無錫市太湖花園物業管理有限責任公司) is an Independent Third Party.
- (9) The remaining 49% interest in Qinhuangdao Hongtianyuan Property Service is held by Ms. Liu Tong (劉彤) and Ms. Liu Li (劉莉) in the proportion of 29.4% and 19.6%. Save for their interest in Qinhuangdao Hongtianyuan Property Service, each of Ms. Liu Tong (劉彤) and Ms. Liu Li (劉莉) are Independent Third Parties.
- (10) The remaining 50% interest in Shenzhen Yuezhong Property Management is held by Shenzhen Yuezhong Group Co., Ltd. (深圳市越眾(集團)股份有限公司) and Shenzhen Pengzhu Car Factory (深圳市鵬竹汽車修配廠) in the proportion of 40% and 10%, respectively. Save for their interest in Shenzhen Yuezhong Property Management, each of Shenzhen Yuezhong Group Co., Ltd. (深圳市越眾(集團)股份有限公司) and Shenzhen Pengzhu Car Factory (深圳市鵬竹汽車修配廠) are Independent Third Parties. Shenzhen Yuezhong Property Management is accounted as an associate of our Company. See Note 19 of the Accountant’s Report.
- (11) The remaining 25% interest in Shenzhen Huigang Property Management is held by Mr. Ai Yong (艾永). Save for his interest in Shenzhen Huigang Property Management, Mr. Ai Yong (艾永) is an Independent Third Party.
- (12) The remaining 49% interest in Tieling Zhengnan Property Management is held by Liaoning Zhengnan Real Estate Development Co., Ltd. (遼寧正南房地產開發有限公司). Save for its interest in Tieling Zhengnan Property Management, Liaoning Zhengnan Real Estate Development Co., Ltd. is an Independent Third Party.
- (13) The remaining 49% interest in Shaanxi Colour Life Property Management is held by Mr. Zhang Hua (張華), Mr. Zhang Xiangrong (張向榮) and Ms. Yin Jingyi (殷敬怡) in the proportion of 25%, 12% and 12%, respectively. Save for their interest in Shaanxi Colour Life Property Management, each of Mr. Zhang Hua (張華), Mr. Zhang Xiangrong (張向榮) and Ms. Yin Jingyi (殷敬怡) are Independent Third Parties.
- (14) The remaining 30% interest in Pingdingshan Longkang Property Service is held by Ms. Gong Yanru (龔燕如). Save for her interest in Pingdingshan Longkang Property Service, Ms. Gong Yanru (龔燕如) is an Independent Third Party.
- (15) The remaining 7.35% interest in Shenzhen Xingyanhang Real Estate is held by Ms. Lu Ying (路瑩). Ms. Lu Ying (路瑩) is a director of Shenzhen Xingyanhang Real Estate. The operations of Shenzhen Xingyanhang Real Estate gradually phased out over the Track Record Period.
- (16) The remaining 49% interest in Shenyang Jixiang Baite Property Service is held by Mr. Lan Tao (蘭濤) and Mr. Lan Shihai (蘭仕海) in the proportion of 40% and 9%, respectively. Save for his interest in Shenyang Jixiang Baite Property Service, Mr. Lan Tao (蘭濤) is an Independent Third Party.
- (17) The remaining 10% interest in Wuxi Pearl Garden is held by Mr. Wu Zhiqiang (吳志強). Save of his interest in Wuxi Pearl Garden, Mr. Wu Zhiqiang (吳志強) is an Independent Third Party.
- (18) The remaining 49% interest in Shenzhen Ancaihua Energy Investment is held by Shenzhen Ancaihua Lighting Co., Ltd. (深圳市安美華照明有限公司). Save for its interest in Shenzhen Ancaihua Energy Investment, Shenzhen Ancaihua Lighting Co., Ltd. (深圳市安美華照明有限公司) is an Independent Third Party.
- (19) The remaining 50% interest in Guilin Tongji Building Technologies is held by Guilin Zhenan Property Service Co., Ltd. (桂林市振安物業服務有限公司). Save for its interest in Guilin Tongji Building Technologies, Guilin Zhenan Property Service Co., Ltd. (桂林市振安物業服務有限公司) is an Independent Third Party. Guilin Tongji Building Technologies is accounted as our Group’s interest in a joint venture. See Note 21 of the Accountant’s Report.

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Notes:

- (1) First Shanghai held its interest in our Company on trust for and on behalf of 12 other investors. For further details, please refer to the section entitled “— Reorganization — Pre-IPO Investments.”
- (2) The remaining 10% interest in Nanjing Mingcheng Property Management is held by Mr. Huang Jianxin (黃建新). Save for his interest in Nanjing Mingcheng Property Management, Mr. Huang Jianxin (黃建新) is an Independent Third Party.
- (3) The remaining 10% interest in Nanjing Huitao Property Management is held by Mr. Wu Tao (吳濤). Save for his interest in Nanjing Huitao Property Management, Mr. Wu Tao (吳濤) is an Independent Third Party.
- (4) The remaining 10% interest in Nanjing Jinjiang Property Management is held by Mr. Yu Youzhong (俞有忠). Save for his interest in Nanjing Jinjiang Property Management, Mr. Yu Youzhong (俞有忠) is an Independent Third Party.
- (5) The remaining 30% interest in Shanghai Xinzhou Property Management is held by Mr. Mao Yiqing (毛逸清) and Shanghai Zhoupu Asset Management Co., Ltd. (上海周浦資產管理有限公司). Save for their interest in Shanghai Xinzhou Property Management, each of Mr. Mao Yiqing (毛逸清) and Shanghai Zhoupu Asset Management Co., Ltd. (上海周浦資產管理有限公司) are Independent Third Parties.
- (6) The remaining 20% interest in Wuxi Taihu Property Management is held by Wuxi Taihu Garden Real Estate Management Co., Ltd. (無錫市太湖花園物業管理有限責任公司). Save for its interest in Wuxi Taihu Property Management, Wuxi Taihu Garden Real Estate Management Co., Ltd. (無錫市太湖花園物業管理有限責任公司) is an Independent Third Party.
- (7) The remaining 49% interest in Qinhuangdao Hongtianyuan Property Service is held by Ms. Liu Tong (劉彤) and Ms. Liu Li (劉莉). Save for their interest in Qinhuangdao Hongtianyuan Property Service, each of Ms. Liu Tong (劉彤) and Ms. Liu Li (劉莉) are Independent Third Parties.
- (8) The remaining 50% interest in Shenzhen Yuezhong Property Management is held by Shenzhen Yuezhong Group Co., Ltd. (深圳市越眾(集團)股份有限公司) and Shenzhen Pengzhu Car Factory (深圳市鵬竹汽車修配廠) in the proportion of 40% and 10%, respectively. Save for their interest in Shenzhen Yuezhong Property Management, each of Shenzhen Yuezhong Group Co., Ltd. (深圳市越眾(集團)股份有限公司) and Shenzhen Pengzhu Car Factory (深圳市鵬竹汽車修配廠) are Independent Third Parties. Shenzhen Yuezhong Property Management is accounted as an associate of our Company. See Note 19 of the Accountant’s Report.
- (9) The remaining 25% interest in Shenzhen Huigang Property Management is held by Mr. Ai Yong (艾永). Save for his interest in Shenzhen Huigang Property Management, Mr. Ai Yong (艾永) is an Independent Third Party.
- (10) The remaining 49% interest in Tieling Zhengnan Property Management is held by Liaoning Zhengnan Real Estate Development Co., Ltd. (遼寧正南房地產開發有限公司). Save for its interest in Tieling Zhengnan Property Management, Liaoning Zhengnan Real Estate Development Co., Ltd. is an Independent Third Party.
- (11) The remaining 49% interest in Shaanxi Colour Life Property Management is held by Mr. Zhang Hua (張華), Mr. Zhang Xiangrong (張向榮) and Ms. Yin Jingyi (殷敬怡) in the proportion of 25%, 12% and 12%, respectively. Save for their interest in Shaanxi Colour Life Property Management, each of Mr. Zhang Hua (張華), Mr. Zhang Xiangrong (張向榮) and Ms. Yin Jingyi (殷敬怡) are Independent Third Parties.
- (12) The remaining 30% interest in Pingdingshan Longkang Property Service is held by Ms. Gong Yanru (龔燕如), an Independent Third Party. Save for her interest in Pingdingshan Longkang Property, Ms. Gong Yanru (龔燕如) is an Independent Third Party.
- (13) The remaining 7.35% interest in Shenzhen Xingyanhang Real Estate is held by Ms. Lu Ying (路瑩). Ms. Lu Ying (路瑩) is a director of Shenzhen Xingyanhang Real Estate. The operations of Shenzhen Xingyanhang Real Estate gradually phased out over the Track Record Period.
- (14) The remaining 49% interest in Shenyang Jixiang Baite Property Service is held by Mr. Lan Tao (蘭濤) and Mr. Lan Shihai (蘭仕海) in the proportion of 40% and 9%, respectively. Save for his interest in Shenyang Jixiang Baite Property Service, Mr. Lan Tao (蘭濤) is an Independent Third Party.
- (15) The remaining 10% interest in Wuxi Pearl Garden is held by Mr. Wu Zhiqiang (吳志強). Save of his interest in Wuxi Pearl Garden, Mr. Wu Zhiqiang (吳志強) is an Independent Third Party.
- (16) The remaining 49% interest in Shenzhen Ancaihua Energy Investment is held by Shenzhen Ancaihua Lighting Co., Ltd. (深圳市安美華照明有限公司). Save for its interest in Shenzhen Ancaihua Energy Investment, Shenzhen Ancaihua Lighting Co., Ltd. (深圳市安美華照明有限公司) is an Independent Third Party.
- (17) The remaining 50% interest in Guilin Tongji Building Technologies is held by Guilin Zhenan Property Service Co., Ltd. (桂林振安物業服務有限公司). Save for its interest in Guilin Tongji Building Technologies, Guilin Zhenan Property Management Service Co., Ltd. (桂林市振安物業服務有限公司) is an Independent Third Party. Guilin Tongji Building Technologies is accounted as our Group’s interest in a joint venture. See Note 21 of the Accountant’s Report.

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PRE-IPO INVESTMENTS BY FIRST SHANGHAI AND CHINA BOWEN

Subscription by First Shanghai

On May 29, 2013, our Company entered into the First Shanghai Subscription Agreement with First Shanghai, an Independent Third Party, pursuant to which our Company agreed to issue and allot to First Shanghai to hold on trust for and on behalf of the Investors, and First Shanghai agreed to subscribe for and on behalf of the Investors an aggregate of 69,760 Shares (the “**First Shanghai Subscription Shares**”), representing approximately 3.35% of the then enlarged issued share capital of our Company immediately following completion of the Pre-IPO Investments, and approximately 2.5% of the enlarged issued share capital of our Company upon completion of the Capitalization Issue and the Global Offering for a subscription price of US\$6,000,000 (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme) (the “**First Shanghai Subscription**”). The indirect shareholding to be held by each of the Investors in our Company will range from 0.06% to 0.5% immediately following completion of the Global Offering and the Capitalization Issue.

Subscription by China Bowen

On May 29, 2013, our Company, China Bowen, an Independent Third Party, Fantasia Holdings and Splendid Fortune entered into the China Bowen Subscription Agreement, pursuant to which our Company agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 Shares (the “**China Bowen Subscription Shares**”), representing approximately 0.66% of the then enlarged issued share capital of our Company immediately following completion of the Pre-IPO Investments, and approximately 0.5% of the enlarged issued share capital of our Company upon completion of the Capitalization Issue and the Global Offering for a subscription price of US\$1,000,000 (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme) (the “**China Bowen Subscription**”).

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Further details of the investment of each of our pre-IPO investors are set out below:

Name of the pre-IPO investor	First Shanghai (on behalf of the Investors)	China Bowen
Background of investor:	<p>First Shanghai is principally engaged in provision of brokerage services in securities trading. It is a company incorporated under the laws of Hong Kong and is owned by First Shanghai Financial Holding Limited and First Shanghai Nominees Limited. To the best knowledge, information and belief of our Directors, other than its investment in our Company, First Shanghai is independent of and not connected with our Directors, chief executive or Substantial Shareholders or any of our subsidiaries or their respective associates.</p> <p>Our Company agreed to issue and allot shares to First Shanghai to hold on trust for and on behalf of the Investors who are, to the best knowledge, information and belief of our Directors, other than their investment in our Company and Mr. Zeng Liqing's (曾李青) directorship in our Company, all are independent of and not connected with our Directors, chief executive or Substantial Shareholders or any of our subsidiaries or their respective associates.</p>	<p>China Bowen is an investment holding company incorporated in the Cayman Islands and is owned by Wang Wen, Zou Wen, Rao Wenjian and Wen Bingchang. China Bowen is principally engaged in fund management. To the best knowledge, information and belief of our Directors, other than its investment in our Company, China Bowen is independent of and not connected with our Directors, chief executive or Substantial Shareholders or any of our subsidiaries or their respective associates.</p>
Date of subscription agreement:	May 29, 2013	May 29, 2013
Number of Shares:	25,111,446 Shares (representing approximately 10.04% of the total number of Offer Shares offered under the Global Offering)	4,950,295 Shares (representing approximately 1.98% of the total number of Offer Shares offered under the Global Offering)
Consideration:	HK\$46,574,000 (equivalent to US\$6,000,000) (the “ First Shanghai Consideration ”)	HK\$7,762,400 (equivalent to US\$1,000,000) (the “ China Bowen Consideration ”)
Basis of determination of consideration: . . .	With reference to the agreed assessment of the value of our Group at the time of signing of the First Shanghai Subscription Agreement	With reference to the agreed assessment of the value of our Group at the time of signing of the China Bowen Subscription Agreement
Subscription price payment date: . . .	June 5, 2013 (the “ First Shanghai Completion Date ”)	June 5, 2013 (the “ China Bowen Completion Date ”)

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<u>Name of the pre-IPO investor</u>	<u>First Shanghai (on behalf of the Investors)</u>	<u>China Bowen</u>
Investment cost per share:	Approximately HK\$1.85 per Share after the Capitalization Issue. Assuming an Offer Price of HK\$3.95 per Offer Share (being the mid-point of the indicative Offer Price range), the price paid by First Shanghai is equivalent to a discount of approximately 53.2% to such price per Offer Share.	Approximately HK\$1.57 per Share after the Capitalization Issue. Assuming an Offer Price of HK\$3.95 per Offer Share (being the mid-point of the indicative Offer Price range), the price paid by China Bowen is equivalent to a discount of approximately 60.3% to such price per Offer Share.
Use of proceeds: . . .	<ul style="list-style-type: none"> (i) Acquisition of property management companies (ii) Settlement of listing expenses (iii) working capital <p>As of the Latest Practicable Date, the proceeds have not been fully utilized.</p>	<ul style="list-style-type: none"> (i) Acquisition of property management companies (ii) Settlement of listing expenses (iii) working capital <p>As of the Latest Practicable Date, the proceeds have not been fully utilized.</p>
Strategic benefits that the pre-IPO investors will bring to our Company:	Contribution of working capital	Contribution of working capital
Shareholding in our Company immediately following completion of the Global Offering and the Capitalization Issue:	Approximately 2.5%	Approximately 0.5%

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Name of the pre-IPO investor	First Shanghai (on behalf of the Investors)	China Bowen
Special rights applicable to First Shanghai and China Bowen: . . .	<p>1) <u>Reserved matters</u></p> <p>For so long as First Shanghai is a holder of all the First Shanghai Subscription Shares, our Company shall not proceed with or undertake any of the following matters without first obtaining the prior written consent of First Shanghai:</p> <p>(i) issue any new Shares other than (a) Shares issued upon exercise of options granted under any employees option scheme of our Company; (b) Shares issued to all Shareholders in proportion to their shareholding in our Company; (c) Shares offered pursuant to the Global Offering; and (d) Shares issued to China Bowen under the China Bowen Subscription;</p> <p>(ii) repurchase any Shares other than Shares repurchased from all Shareholders in proportion to their shareholding in our Company.</p> <p>The above special right granted to First Shanghai shall lapse automatically immediately before the Listing.</p>	<p>1) <u>Right to nominate a Director</u></p> <p>For so long as China Bowen is a holder of all the China Bowen Subscription Shares, China Bowen may nominate a person to be appointed as a Director.</p> <p>2) <u>Reserved matters</u></p> <p>For so long as China Bowen is a holder of all the China Bowen Subscription Shares, our Company shall not undertake any of the following matters without first obtaining the prior written consent of China Bowen or the Director nominated by China Bowen:</p> <p>(i) issue any new Shares other than (a) Shares issued to all Shareholders in proportion to their shareholding in our Company; (b) Shares offered pursuant to the Global Offering; and (c) Shares issued to First Shanghai under the First Shanghai Subscription;</p> <p>(ii) repurchase any Shares other than Shares repurchased from all Shareholders in proportion to their shareholding in our Company.</p> <p>The above special rights granted to China Bowen shall lapse automatically immediately before the Listing.</p> <p>3) <u>Put options</u></p> <p>Our Company has granted an option (the “Put Option”) to China Bowen that in the event that the Listing does not complete on or before June 4, 2015 (or such later date as our Company and China Bowen may agree in writing), China Bowen may, for a period of 30 days thereafter, by notice in writing to our Company, require our Company to purchase all the China Bowen Subscription Shares then held by China Bowen at the amount equal to the sum of the China Bowen Consideration plus a return calculated at the rate of 12% per annum of the China Bowen Consideration minus any dividends or distribution and any amounts in relation to the transfer or disposal of such China Bowen Subscription Shares, received by China Bowen in relation to the China Bowen Subscription Shares.</p>

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Name of the pre-IPO investor	First Shanghai (on behalf of the Investors)	China Bowen
Lock up:	<p>Each of the Investors and China Bowen irrevocably undertakes to our Company that for a period from the respective First Shanghai Completion Date and the China Bowen Completion Date up to the earlier of June 4, 2015 and the 180th day after the Listing Date, respectively (the “Lock-up Period”), each of the Investors and China Bowen shall not and shall procure that none of its affiliates or associates (within the meaning of the Listing Rules) shall, without the prior written consent of our Company, either directly or indirectly, (a) offer, sell, contract to sell, or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in or create any encumbrance over any Shares in which they have a beneficial interest or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase any Shares, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of any Shares in which they have a beneficial interest, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing.</p>	
Restrictions on transfer and right of first refusal: . . .	<p>If at any time after the expiry of the Lock-up Period, the Investors or China Bowen propose to sell, assign, transfer, pledge, hypothecate, create or permit to subsist any encumbrance or otherwise encumber or dispose of in any way, all or any part of any direct or indirect interest (the “Transfer”) of any of the Shares held by them in which they are interested to one or more parties, then they shall give Fantasia Holdings a written notice of the intention to make the proposed Transfer (the “Transfer Notice”), which notice shall include in reasonable detail (i) a description of the Shares to be transferred (the “Offered Shares”), (ii) the identity of the prospective transferee(s), (iii) the consideration which must be for cash and the material terms and conditions upon which the proposed Transfer is to be made, and (iv) all other information reasonably necessary to fully describe the proposed Transfer.</p> <p>The Transfer Notice shall include a written certification by China Bowen (in the event a Transfer Notice is given by the Investors) or the Investors (in the event a Transfer Notice is given by China Bowen) that it has received a firm offer from the prospective transferee(s) which is a bona fide purchase and in good faith believes a binding agreement for the Transfer is obtainable on the terms set forth in the Transfer Notice subject to Fantasia Holdings’ right of first refusal (the “Right of First Refusal”) as contemplated under their respective deed of undertaking.</p> <p>Upon receipt of the Transfer Notice from either the Investors or China Bowen, Fantasia Holdings shall have an option for a period of 30 days from the date of the Transfer Notice to elect to purchase all or any part of the Offered Shares at the price and subject to the material terms and conditions described in the Transfer Notice. Fantasia Holdings may exercise such Right of First Refusal by notifying the Investors or China Bowen (as the case may be) in writing (the “Election Notice”), before expiration of the 30 day period as to the number of Offered Shares it desires to purchase under the Right of First Refusal. If no such Election Notice is delivered within the above specified time period, it shall be deemed a delivery of an Election Notice including Fantasia’s election to purchase none of Offered Shares.</p>	
Public float:	<p>Save for Mr. Zeng Liqing’s (曾李青) beneficial interest in 11,626 Shares held for and on behalf of him by First Shanghai, the Shares held by First Shanghai and China Bowen are considered as part of the public float as both First Shanghai and China Bowen (i) are not connected persons of our Company; (ii) the acquisition of their respective interest in the Shares was not financed directly or indirectly by any connected person of our Company; and (iii) are not accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it.</p>	

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

On the above basis, the Joint Sponsors submit that they consider and confirm that the Pre-IPO Investments are in compliance with the “Interim Guidance on Pre-IPO Investments” issued by the Listing Committee since the consideration under the Pre-IPO Investments were settled on June 5, 2014, which was more than 28 clear days before the date of the first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing.

THE STRUCTURED CONTRACTS

Introduction

The online aspect of our community leasing, sales and other services business can be traced back to the establishment of Shenzhen Colour Life Network Service, our in-house development and launch of the website www.colourlife.com in 2007. The ICP License for our online community leasing, sales and other services was obtained on May 31, 2007 and expired on May 31, 2012. Our PRC legal advisor confirms that, throughout the term of the ICP License, the online community leasing, sales and other services business was legal on the basis that Shenzhen Colour Life Network Service was qualified, passed all requisite annual inspections and had obtained all necessary licenses and approvals as required in accordance with PRC laws, rules and regulations in order to lawfully conduct such online commercial, information and financial value-added services as listed in its ICP License.

The relevant PRC laws, rules and regulations restrict foreign ownership of value-added telecommunications enterprises to a maximum of 50%, and require that any foreign investor(s) investing in such an enterprise must be in good standing and have relevant experience in operating value-added telecommunications services outside the PRC.

When we obtained our ICP License in 2007 and throughout the five year term thereof, relevant local authorities did not apply the above-mentioned restriction to Shenzhen Colour Life Network Service as Shenzhen Colour Life Network Service was not directly owned by a foreign entity, and Shenzhen Colour Life Network Service passed each requisite annual inspection related to its ICP License prior to the expiration of such term. However, after the expiration of the ICP License in May 2012, Shenzhen Colour Life Network Service was not permitted to renew its ICP License as it is an indirect foreign invested enterprise which was subject to the above-mentioned restriction.

After the expiration of the ICP License on May 31, 2012, Shenzhen Colour Life Network Service continued its online community leasing, sales and other services business until December 1, 2012, when we transferred our domain name (www.colourlife.com) to Shenzhen Caianju Technology Co., Ltd. (深圳市彩安居科技有限公司, formerly known as 深圳市彩安居裝飾材料有限公司). For further details of the non-compliance, please see the section entitled “Business.” In August 2013, the above domain name was transferred from Shenzhen Caianju Technology Co., Ltd. to Shenzhen Caizhiyun Network, which obtained its ICP License on July 17, 2013. Subsequently, our Group has been operating our online community leasing, sales and other services business through Shenzhen Caizhiyun Network.

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Based on the above-mentioned restriction, we cannot acquire the equity interest in Shenzhen Caizhiyun Network. To enable us to continue our online community leasing, sales and other services business in the PRC, we entered into the Exclusive Management and Operation Agreement, the Call Option Agreement, the Shareholders' Rights Entrustment Agreement, the Equity Pledge Agreement and the Power of Attorney (collectively, the "**Structured Contracts**") which enables our Group to manage and operate the business of Shenzhen Caizhiyun Network in the PRC, and exercise effective control over and, to the extent permitted by PRC laws and regulations, have the right to acquire the equity interest in Shenzhen Caizhiyun Network. We have narrowly tailored the Structured Contracts in order to achieve our Group's business purposes to minimize the potential conflict with relevant PRC laws and regulations. Our Group undertakes to unwind the Structured Contracts and acquire the equity interest in Shenzhen Caizhiyun Network as soon as the relevant PRC laws allow us to operate Shenzhen Caizhiyun Network's business without the Structured Contracts.

The Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated in our Group as if it was our subsidiary, resulting in all economic benefits of its business flowing to our subsidiary, Shenzhen Colour Life Network Service, and us. Through the appointment by Shenzhen Colour Life Network Service of all directors and senior management of Shenzhen Caizhiyun Network, we believe that Shenzhen Colour Life Network Service is able to effectively supervise, manage and operate the business operations, expansion plans, financial policies and assets of Shenzhen Caizhiyun Network, and at the same time, ensure due implementation of the Structured Contracts. According to HKFRS, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable our Company to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by our PRC legal advisor. We derive economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to the residents in the residential communities that we manage or provide consultancy services to. Under such circumstances, our Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding our lack of equity ownership in Shenzhen Caizhiyun Network, we are able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as our subsidiary and its financial position and operating results are consolidated in our consolidated financial statements. The Structured Contracts have been effective since June 16, 2014.

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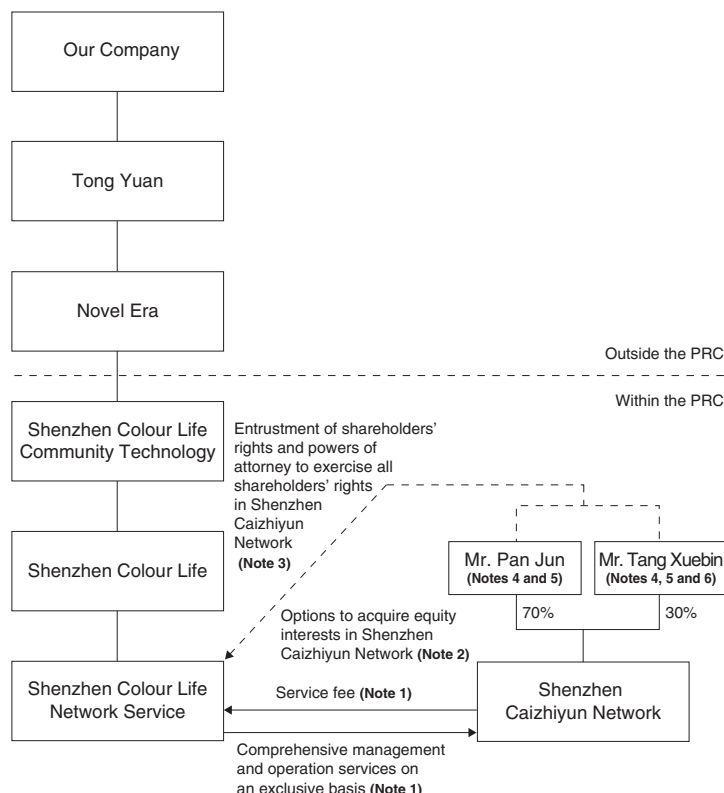
We cannot assure you that our Structured Contracts will not be challenged by the PRC government. See the section entitled “Risk Factors – Risks relating to Our Corporate Structure – The PRC government may determine that the Structured Contracts or the ownership structure or business operations of our Company or Shenzhen Caizhiyun Network do not comply with PRC laws and regulations, if so, our business, financial position or results of operations could be materially and adversely affected.” We believe that if we were unable to use our online services platform due to challenges by the PRC government and if we are unable to unwind the Structured Contracts when the foreign restriction is lifted, we would continue to offer community leasing, sales and other services through our offline service platform, such as through our on-site management offices and our toll free services hotline, as we have done during the Track Record Period, which will be supported by our online website to be operated by Colour Life Service Group (HK) which is intended to provide an alternative online platform to our customers if the online website operated by Company is temporarily not in operation. In addition, only 1.1% of our revenue from community leasing, sales and other services segment in 2013 was derived from the online platform.

As of the Latest Practicable Date, the Company did not purchase any insurance to cover the risks relating to the Structured Contracts. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impracticable for us to have such insurance. For further details, please refer to the section entitled “Risk Factors – Risk relating to Our Business and Industry – Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter.”

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Diagrammatic Representation of the Structured Contracts

The following simplified diagram illustrates how the Structured Contracts effectively transfer the economic benefits of Shenzhen Caizhiyun Network and pass the risks associated therewith to our Group as stipulated under the Structured Contracts:



Notes:

- (1) Shenzhen Colour Life Network Service will manage and operate the business of Shenzhen Caizhiyun Network, and Shenzhen Colour Life Network Service is entitled to receive an annual management service fee which is equivalent to the revenue generated by Shenzhen Caizhiyun Network after deducting all relevant costs and expenses (including taxes), losses and related reserve funds.
- (2) Shenzhen Colour Life Network Service (or its designee) has the exclusive right to acquire any or all the equity interests in Shenzhen Caizhiyun Network at the lowest price as permitted under the relevant PRC laws and regulations on the condition that such acquisition shall be in compliance with the relevant PRC laws and regulations.
- (3) Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) have entrusted Shenzhen Colour Life Network Service (or its designees) all of their shareholders' rights, including without limitation, the right to vote at all shareholders' meetings of Shenzhen Caizhiyun Network, sign minutes, file documents with the relevant companies registry and appoint directors.
- (4) Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) have granted to Shenzhen Colour Life Network Service a pledge over their entire equity interest in Shenzhen Caizhiyun Network for the purpose of securing the performance of the contractual obligations by Shenzhen Caizhiyun Network and its shareholders under the Structured Contracts.
- (5) The equity interests of Shenzhen Caizhiyun Network may not be sold, transferred, encumbered or otherwise disposed of by Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) without the prior written consent of Shenzhen Colour Life Network Service in order to ensure Shenzhen Colour Life Network Service retains control over Shenzhen Caizhiyun Network.
- (6) Mr. Pan Jun (潘軍) is our chairman and Non-executive Director. Mr. Tang Xuebin (唐學斌) is our chief executive officer, Executive Director and substantial Shareholder and will be deemed to be beneficially interested in 215,981,477 Shares for the purpose of Part XV of the SFO immediately upon the completion of the Global Offering.

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Summary of the Structured Contracts

(1) Exclusive Management and Operation Agreement

On June 16, 2014, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network and its equity interest holders, namely Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌), entered into an exclusive management and operation agreement (the “**Exclusive Management and Operation Agreement**”) pursuant to which Shenzhen Caizhiyun Network agreed to engage Shenzhen Colour Life Network Service to provide exclusive and comprehensive management and operation services to Shenzhen Caizhiyun Network and its subsidiaries (the “**Shenzhen Caizhiyun Network Group**”), including but not limited to (i) developing operational and investment plans and strategies; (ii) human resources management; (iii) providing strategic planning, operations and project management advice; and (iv) technical and consulting services, including network support, business consultations, intellectual property development, equipment leasing, system integration and system maintenance. In line with the services it provides, Shenzhen Colour Life Network Service has currently employed 30 research and development personnel (including its outsourced workers) primarily providing technical services to Shenzhen Caizhiyun Network, and over 60 personnel with business management experiences primarily providing business consultations and other similar services to Shenzhen Caizhiyun Network. Accordingly, our Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all economic benefits generated by the business operated by Shenzhen Caizhiyun Network through the Structured Contracts as a whole.

In consideration of the management and operation services provided by Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network has agreed to pay a service fee to Shenzhen Colour Life Network Service on an annual basis. Shenzhen Colour Life Network Service is entitled to the revenue generated by the Shenzhen Caizhiyun Network after deducting all relevant costs and expenses (including taxes), losses and related reserve funds. Without the prior written consent of Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network Group is not allowed to transfer any of its rights and duties under the Exclusive Management and Operation Agreement to a third party, among others, or change any members of the board of directors or senior management of the Shenzhen Caizhiyun Network Group. In addition, in order to prevent the leakage of assets of Shenzhen Caizhiyun Network, the Exclusive Management and Operation Agreement also provides that, in the absence of prior written consent from Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network, Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) shall not dispose any assets of Shenzhen Caizhiyun Network. Pursuant to the Exclusive Management and Operation Agreement, Shenzhen Colour Life Network Service has the exclusive right to own all intellectual property rights developed by Shenzhen Colour Life Network Service and Shenzhen Caizhiyun Networks, and authorizes Shenzhen Caizhiyun Network to use such intellectual property.

In the event that Shenzhen Caizhiyun Network is in breach of the terms of the Exclusive Management and Operation Agreement, Shenzhen Caizhiyun Network shall then bear any liabilities arising from such breach. Save as otherwise, Shenzhen Colour Life Network Service is not obligated to provide any financial support to Shenzhen Caizhiyun Network for any operating loss or any critical operational adversity incurred or encountered by Shenzhen Caizhiyun Network or its subsidiaries.

In the event that the shareholders or officers of the shareholders of Shenzhen Caizhiyun Network occupy the position of directors, the senior management and other positions of our Company, all of the shareholders of Shenzhen Caizhiyun Network agreed that they shall give priority to, and shall not cause the damage to, the interests of Shenzhen Colour Life Network Service and our Company if there are any potential conflicts of interest amongst Shenzhen Colour Life Network Service, our Company, Shenzhen Caizhiyun Network and its shareholders.

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In the event of death, bankruptcy or divorce of the shareholders of Shenzhen Caizhiyun Network resulting in a change in ownership of its shares, all shareholders of Shenzhen Caizhiyun Network agreed that (i) the rights and obligations under the Exclusive Management and Operation Agreement shall continue to bind on their successors; and (ii) the Exclusive Management and Operation Agreement shall prevail over their wills, divorce agreements, debts arrangements and other legal instruments in any forms entered into by them after the signing of the Exclusive Management and Operation Agreement, unless prior written approval of Shenzhen Colour Life Network Service has been obtained.

The Exclusive Management and Operation Agreement is for a term of 10 years and renewable for successive 10-year terms upon Shenzhen Colour Life Network Service's request made before the termination of the Exclusive Management and Operation Agreement. Shenzhen Colour Life Network Service is entitled to unilaterally terminate the Exclusive Management and Operation Agreement by serving a 30 days' written notice but Shenzhen Caizhiyun Network, Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) are not entitled to terminate unilaterally.

(2) Call Option Agreement

On June 16, 2014, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network and its equity interest holders, namely Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌), entered into a call option agreement (the "**Call Option Agreement**") for the purposes of unwinding the Structured Contracts and acquiring equity interests in Shenzhen Caizhiyun Network as soon as the relevant PRC laws allow us to operate Shenzhen Caizhiyun Network's business without the Structured Contracts. Under the Call Option Agreement, Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) agreed to irrevocably grant to Shenzhen Colour Life Network Service or its designee an exclusive right to acquire all or part of the equity interest held by each of them in Shenzhen Caizhiyun Network to the extent permitted by relevant PRC laws and regulations. The amount of consideration payable by Shenzhen Colour Life Network Service shall be the lowest possible amount permissible under the applicable PRC law and each of Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) undertakes to return any consideration received from the equity transfer after exercise of this option to Shenzhen Colour Life Network Service after deducting any paid-up capital of Shenzhen Caizhiyun Network contributed by them. Among other matters, each of Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌), as equity interest holders of Shenzhen Caizhiyun Network, and Shenzhen Caizhiyun Network covenants that he/it will including but not limited to:

- (i) not to or not cause Shenzhen Caizhiyun Network to alter the articles of association of Shenzhen Caizhiyun Network or change its registered capital without the prior written consent of Shenzhen Colour Life Network Service;
- (ii) not to or not cause Shenzhen Caizhiyun Network to deal with the assets, business, revenue or other rights of Shenzhen Caizhiyun Network unless with the prior written consent of Shenzhen Colour Life Network Service;
- (iii) not to or not cause Shenzhen Caizhiyun Network to take out any loan unless in the ordinary course of business and with prior written consent of Shenzhen Colour Life Network Service;
- (iv) not to or not cause Shenzhen Caizhiyun Network to enter into any contract exceeding RMB100,000 other than those entered into in the ordinary course of business;
- (v) not to or not cause Shenzhen Caizhiyun Network to advance any loan, facility or any form of guarantees unless with the prior written consent of Shenzhen Colour Life Network Service;
- (vi) cause Shenzhen Caizhiyun Network to appoint persons designated by Shenzhen Colour Life Network Service to be directors of Shenzhen Caizhiyun Network and to dismiss any directors of Shenzhen Caizhiyun Network upon Shenzhen Colour Life Network Service's request; and

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(vii) not sell, dispose, transfer or encumber their equity interests in Shenzhen Caizhiyun Network without the prior written consent of Shenzhen Colour Life Network Service, unless pledges on such equity interest are imposed under the Equity Pledge Agreement.

In the event of a mandatory liquidation required by PRC laws, each of Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) shall transfer all his remaining assets and residual interests in Shenzhen Caizhiyun Network after such liquidation to Shenzhen Colour Life Network Service or its appointee to the extent permitted by PRC laws and, at the lowest price permitted by PRC laws. In such case, each of Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) undertakes to return all consideration received from the transfer to Shenzhen Colour Life Network Service after deducting any paid-up capital contributed by them, outstanding liquidation expenses, salary, social insurance premiums, statutory compensation, tax or debts of Shenzhen Caizhiyun Network.

In the event of death, bankruptcy or divorce of the shareholders of Shenzhen Caizhiyun Network resulting in a change in ownership of its shares, all registered shareholders of Shenzhen Caizhiyun Network agreed that (i) the rights and obligations under the Call Option Agreement shall continue to bind on their successors; and (ii) the Call Option Agreement shall prevail over their wills, divorce agreements, debts arrangement and other legal instruments in any forms entered into by them after the signing of the Call Option Agreement, unless prior written approval of Shenzhen Colour Life Network Service has been obtained.

The arrangements contemplated under the Call Option Agreement together with all rights and obligations thereunder have taken effect since June 16, 2014 and are for a term of 10 years. The Call Option Agreement is renewable for successive 10-year terms upon Shenzhen Colour Life Network Service's request made before expiration of the Call Option Agreement. The Call Option Agreement will terminate once Shenzhen Colour Life Network Service or any party designated by Shenzhen Colour Life Network Service has fully exercised the exclusive right to purchase equity interests held by Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) in Shenzhen Caizhiyun Network.

(3) Shareholders' Rights Entrustment Agreement

On June 16, 2014, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network and its equity interest holders, namely Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌), entered into an entrustment agreement (the "**Shareholders' Rights Entrustment Agreement**"), pursuant to which Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) entrusted Shenzhen Colour Life Network Service or the party designated by Shenzhen Colour Life Network Service to exercise all their respective rights as shareholders of Shenzhen Caizhiyun Network, including but not limited to the following:

- (i) the right to vote at the shareholders' meeting of Shenzhen Caizhiyun Network;
- (ii) the right to call for shareholders' meetings and sign all shareholders' resolutions of Shenzhen Caizhiyun Network;
- (iii) the right to file documents for and on behalf of Shenzhen Caizhiyun Network with the relevant administrations of trade and industry or other authorities in charge of registration of companies and effect any change of registration particulars;
- (iv) the right to appoint and/or dismiss all the directors and supervisors of Shenzhen Caizhiyun Network; and

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- (v) the right to transfer equity interests in Shenzhen Caizhiyun Network or otherwise dispose thereof by any means all the rights as shareholders in accordance with the applicable laws, regulations and articles of association.

The exercise of the aforesaid rights as shareholders of Shenzhen Caizhiyun Network does not require the consent or approval of Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌), the shareholders of Shenzhen Caizhiyun Network. The term of the Shareholders' Rights Entrustment Agreement is for 10 years and renewable for successive 10-year terms upon Shenzhen Colour Life Network Service's request made before the expiration of the Shareholders' Rights Entrustment Agreement. The Shareholders' Rights Entrustment Agreement will terminate when: (i) the Shareholders' Rights Entrustment Agreement becomes illegal due to the change of laws, regulations and related policies, and if part of the agreement becomes invalid due to the above situations, such articles shall be deemed to be deleted since then, and other part of the agreement shall remain valid and enforceable; (ii) the Structured Contracts are terminated by resolution by our Shareholders or Directors after Listing; (iii) Shenzhen Colour Life Network Service or the party designated by Shenzhen Colour Life Network Service has purchased all equity interests held by Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) in Shenzhen Caizhiyun Network and the related registration has been completed; or (iv) Shenzhen Colour Life Network Service serves a 30 days' written termination notice.

In the event of death, bankruptcy or divorce of the shareholders of Shenzhen Caizhiyun Network resulting in a change in ownership of its shares, all shareholders of Shenzhen Caizhiyun Network agreed that (i) the rights and obligations under the Shareholders' Rights Entrustment Agreement shall continue to bind their successors; and (ii) the Shareholders' Rights Entrustment Agreement shall prevail over their wills, divorce agreements, debts arrangements and other legal instruments in any form entered into by them after the signing of the Shareholders' Rights Entrustment Agreement, unless prior written approval of Shenzhen Colour Life Network Service has been obtained.

(4) Equity Pledge Agreement

On June 16, 2014, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network and its equity interest holders, namely Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌), entered into an equity pledge agreement (the "**Equity Pledge Agreement**"), pursuant to which Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) agreed to pledge 100% of their respective equity interests in Shenzhen Caizhiyun Network (the "**Pledged Securities**") to Shenzhen Colour Life Network Service, which collectively represent all the equity interest in Shenzhen Caizhiyun Network, for the purpose of securing the performance of the contractual obligations by Shenzhen Caizhiyun Network, Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) under the Structured Contracts.

Pursuant to the Equity Pledge Agreement, neither Mr. Pan Jun (潘軍) nor Mr. Tang Xuebin (唐學斌) is allowed to transfer, pledge or create any form of guarantee on their respective equity interests in Shenzhen Caizhiyun Network without the prior written consent of Shenzhen Colour Life Network Service, unless such transfer, pledge or guarantee is made to Shenzhen Colour Life Network Service or its designee.

In the event of death, bankruptcy or divorce of the registered shareholders of Shenzhen Caizhiyun Network resulting in a change in ownership of its shares, all registered shareholders of Shenzhen Caizhiyun Network agreed that (i) the rights and obligations under the Equity

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Pledge Agreement shall continue to bind on their successors; and (ii) the Equity Pledge Agreement shall prevail over their wills, divorce agreements, debts arrangement and other legal instruments in any forms entered into by them after the signing of the Equity Pledge Agreement, unless prior written approval of Shenzhen Colour Life Network Service has been obtained.

The arrangements contemplated under the Equity Pledge Agreement together with all rights and obligations thereunder have taken effect since June 16, 2014. The pledge of the Pledged Securities shall take effect upon registration with the relevant administration of industry and commerce in accordance with applicable PRC law and shall be terminated in accordance with relevant PRC laws when all obligations under any of the Structured Contracts have been completed. Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) have undertaken, among other things, that they shall pay up the outstanding registered capital on time in accordance with the articles of association of Shenzhen Caizhiyun Network and the relevant PRC laws. In addition, they shall not be entitled to transfer any of their rights and/or obligations under the Equity Pledge Agreement to any third party, unless with the prior written consent from Shenzhen Colour Life Network Service. However, Shenzhen Colour Life Network Service shall have the right to transfer its rights or obligations under the Structured Contracts to third parties. Our PRC legal advisor confirmed that the Equity Pledge Agreement is in the process of being registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

(5) Power of Attorney

Each of Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) executed an irrevocable power of attorney on June 16, 2014 (the “**Powers of Attorney**”), appointing Shenzhen Colour Life Network Service or its designee as its agent to act on their behalf on all matters concerning Shenzhen Caizhiyun Network and to exercise all of their rights as registered shareholders of Shenzhen Caizhiyun Network. These rights include, but are not limited to, the right to sell, transfer, pledge or dispose of shares, exercise shareholders’ voting rights, appoint the director and supervisor, sign minutes and file documents with the relevant companies registry. As a result of the Powers of Attorney, our Company, through Shenzhen Colour Life Network Service, is able to exercise management control over the activities that most significantly impact the economic performance of Shenzhen Caizhiyun Network. The Powers of Attorney shall terminate once (i) the Shareholders’ Rights Entrustment Agreement is terminated or (ii) Shenzhen Colour Life Network Service serves a written termination notice.

The Structured Contracts constitute continuing connected transactions of the Company upon Listing. For further details, please refer to the section entitled “Connected Transactions.” In addition, our Company will disclose the overall performance and compliance with the Structured Contracts and plan and progress of meeting the Qualification Requirements in our annual/interim report to update our Shareholders and investors. Copies of the Structured Contracts will be made available on our website upon Listing.

The provisions set out in the Structured Contracts are also binding on the successors of the parties to the Structured Contracts (to the extent that such parties are individuals). Although the Structured Contracts do not specify the identity of successors to the parties, under the succession law of the PRC, the statutory successors include the spouse, children, parents, who are the successors first in order and brothers, sisters, paternal grandparents and the maternal grandparents who are the successors second in order and shall enjoy the right when there not exist the successors first in order and any breach by the successors would be deemed to be a breach of the Structured Contracts. In case of a breach, Shenzhen Colour Life Network Service can enforce its rights against the successors. Therefore, the Directors believe that (i) the

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Structured Contracts are sufficient for the protection of our Group even in the event of death of one or more of the parties to the Structured Contracts, and (ii) Shenzhen Colour Life Network Service can enforce its right under the Structured Contracts against the successors of the parties to the Structured Contracts.

Our PRC legal advisor is of the view that Shenzhen Caizhiyun Network and Shenzhen Colour Life Network Service are duly established and validly existing under the PRC laws, and has obtained or completed all requisite approvals, permits, registrations or filings as required by the applicable PRC laws, regulations and rules and have the capacity to carry out business operations in accordance with their respective licenses.

Shareholder Undertakings and Spouse Undertakings to address potential conflicts of interests

On June 16, 2014, each of Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) signed an undertaking pursuant to which each of them irrevocably undertakes that:

- (a) in the event of death, incapacity or any other event which causes the inability of such shareholder to perform his day-to-day obligations, such shareholder will transfer, unconditionally and at the lowest price permitted by PRC laws, all of the equity interests held by him in Shenzhen Caizhiyun Network to Shenzhen Colour Life Network Service (if allowed by the then applicable PRC laws) or its appointee (as the case may be). In such case, each of Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) undertakes to return all consideration received from the transfer to Shenzhen Colour Life Network Service after deducting any paid-up capital contributed by them;
- (b) such shareholder acknowledges that his spouse is fully aware of his execution of each of the Structured Contracts and consented that such shareholder is the sole beneficiary of all the rights and interests and solely assumes all of the obligations under the Structured Contracts; his spouse shall not enjoy any interests or rights under the Structured Contracts, nor assume any obligations thereunder; further, such shareholder and his spouse agree that, in the event of divorce, all of the equity interests held by such shareholder in Shenzhen Caizhiyun Network shall not be deemed as mutual assets, but assets solely owned by such shareholder;
- (c) such shareholder has sole discretion to make independent decisions in relation to Shenzhen Caizhiyun Network, which shall not be subject to or be influenced by his spouse's decision; in the event of divorce, such shareholder will ensure that adequate preventative measures are taken to ensure the due performance of the Structured Contracts and will not take any actions deviating from the intention for executing the Structured Contracts;
- (d) unless a prior written consent is obtained from Shenzhen Colour Life Network Service, such shareholder will not engage in, conduct, participate in or use the information obtained from Shenzhen Caizhiyun Network or any of its affiliates to participate in, directly or indirectly, any business or activity which competes or is likely to compete with the business of Shenzhen Caizhiyun Network or its subsidiaries (if any), nor will he acquire, hold any interests in or derive any interests from any business which competes or is likely to compete with the business of Shenzhen Caizhiyun Network or its subsidiaries (if any);
- (e) such shareholder will not take any action deviating from the intention and purposes of the Structured Contracts which may lead to any conflict of interests between Shenzhen Caizhiyun Network and Shenzhen Colour Life Network Service or its subsidiaries (if any); and

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- (f) if any conflict of interests occurs during the performance of the Structured Contracts by such shareholder, he will act in favour of Shenzhen Colour Life Network Service as set forth in the Structured Contracts and in accordance with the directions of Shenzhen Colour Life Network Service.

Furthermore, on June 16, 2014, each of the spouses of Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) signed an undertaking pursuant to which each of the spouses irrevocably undertakes that;

- (a) she is fully aware of the execution of the Structured Contracts and consents that her spouse is the sole beneficiary of all the rights and interests and solely assumes obligations under the Structured Contracts; furthermore, she shall not enjoy any interests or rights under the Structured Contracts, nor assume any obligations thereunder;
- (b) all of the equity interests held by her spouse in Shenzhen Caizhiyun Network shall be deemed as assets solely owned by her spouse, not mutual assets jointly owned by her and her spouse; and
- (c) she will not participate in the operation or management of Shenzhen Caizhiyun Network, nor will claim any interests or rights in Shenzhen Caizhiyun Network's equities or assets; in the event of divorce (as the case may be), her spouse has sole discretion to decide how to dispose of his interests in Shenzhen Caizhiyun Network.

Notwithstanding that we are not the registered shareholder of Shenzhen Caizhiyun Network and Mr. Pan Jun (潘軍), being a controlling shareholder of Shenzhen Caizhiyun Network holding 70% interest therein, is not our Controlling Shareholder, our Directors are of the view that we have adopted sufficient measures to protect our interest in Shenzhen Caizhiyun Network by considering the following factors:

1. Although Mr. Pan Jun (潘軍) is the authorized representative and the controlling shareholder of Shenzhen Caizhiyun Network, our Directors are of the view that his interest in Fantasia Holdings is aligned with our Group as he is the chairman and executive director of Fantasia Holdings and he is also a substantial shareholder holding 20% interest in Fantasy Pearl, being the immediate holding company of Fantasia Holdings. Given his substantial stake in Fantasia Holdings and his role as a director of both Fantasia Holdings and our Company, he owes fiduciary duty to shareholders of both Fantasia Holdings and our Company. In light of the above, our Directors believe that Mr. Pan Jun (潘軍) is and will be acting in the interest of Fantasia Holdings and our Company at all times.
2. The Structured Contracts and the undertakings to be provided by Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌), being the shareholders of Shenzhen Caizhiyun Network, and their respective spouse, provide sufficient measures to ensure that we can have absolute control over Shenzhen Caizhiyun Network. For example, pursuant to the Shareholders' Rights Entrustment Agreement, Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) entrusted Shenzhen Colour Life Network Service or the party designated by it to exercise all their respective rights as shareholders of Shenzhen Caizhiyun Network, including but not limited to the right to vote at the shareholders' meetings of Shenzhen Caizhiyun Network and the right to appoint and/or dismiss all the directors and supervisors of Shenzhen Caizhiyun Network. Also, pursuant to the Exclusive Management and Operation Agreement, the bank accounts of Shenzhen Caizhiyun

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Network are operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal is currently kept by Mr. Zhou Qinwei (周勤偉), an Executive Director. Our Directors are of the view that the Structured Contracts and our internal control measures will prevent misappropriation of assets and funds by the shareholders of Shenzhen Caizhiyun Network.

3. Our compliance department, headed by Mr. Zhou Qinwei (周勤偉), our Executive Director and chief financial officer, will monitor the proper implementation and Mr. Pan Jun's (潘軍) and Mr. Tang Xuebin's (唐學斌) compliance with the Structured Contracts.

Effect and legality of the Structured Contracts

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)), value-added telecommunication service is subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider in the PRC.

Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. Our PRC legal advisor has advised that the community leasing, sales and other services provided by Shenzhen Colour Life Network Service through the Colour Life website constitute value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investors shall contribute no more than 50% of the registered capital of a value-added telecommunications services provider and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunication services industry (the “**Qualification Requirement**”).

Based on consultations with the relevant personnel responsible for the approval of value-added telecommunications services at MIIT and the Guangdong Communications Administration Bureau (廣東省通信管理局), our PRC legal advisor has advised that in order to demonstrate that it has satisfied the Qualification Requirement, a foreign investor shall provide the competent PRC authority with its telecommunications services business operating license issued by the relevant authority at its place of registration (equivalent of the ICP License issued by the MIIT) and its financial reports of the most recent three years. However, the MIIT did not specify during our PRC legal advisor's consultations what would constitute “a good track record” and “relevant operational experience” and there are no specific written guidelines in this regard or in respect of whether and what type of documentation is required to establish the requisite credentials in cases where there is no telecommunications service business licensing regime in the jurisdiction or country in which the foreign investor provides the relevant telecommunication services.

As for the legality of the contractual arrangements, our PRC legal advisor, after taking reasonable actions and steps to reach its legal conclusions including consulting the MIIT where the representative stated that there is no regulation enforceable or promulgated by the MIIT which prohibits or restricts the operation of value-added telecommunication businesses by foreign investors through contractual arrangements such as the Structured Contracts, are of the view that each of the Structured Contracts individually and collectively do not violate any of the applicable PRC laws and regulations. Our PRC legal advisor is also of the view that the MIIT is the competent regulatory authority to give such assurance and interpret the Structured Contracts.

HISTORY, REORGANIZATION AND THE GROUP STRUCTURE

Compliance of qualification requirement

Despite the lack of clear guidance or interpretation on the Qualification Requirement, we have taken and plan to continue to take specific steps and make efforts to comply with the Qualification Requirement. Novel Era, our subsidiary in Hong Kong, has been constructing our overseas website, www.colourlife.com.hk which plans to introduce and promote our community leasing, sales and other services to our future customers and offer an alternative platform for our existing customers. Our current and future customers will be able to order goods and services over the new website, with the receipt of payment and delivery of such goods and services to be undertaken by our relevant PRC subsidiaries or the transaction parties. The website also provides community leasing, sales and other services such as residential and retail unit rental and sales assistant. In effect, the online services provided by us via the websites in Hong Kong serves as an alternative platform for those existing tenants to place orders for their properties in their residential communities. We also aim to provide such services to existing tenants who may be residing overseas at times and to provide information of the community leasing, sales and other services as a means to promote our overall business model and services offered to our customers. Our overseas website also act as an advertising platform for overseas vendors to promote their products, which are not available on our onshore website, to the residents in the residential communities we manage or provide consultancy services to. Such residents can order such goods from the overseas vendors through our overseas website and Shenzhen Caizhiyun Network will then arrange for the delivery and settlement in the PRC or by other delivery and settlement arrangements as agreed by the transaction parties. The construction of the website will be completed before the Listing. Furthermore, we are developing a mobile application for both iOS and Android users as an additional access point to the online database for further extending the coverage of the Colour Life website to more residential communities we manage, thereby making our online platform and community leasing, sales and other services accessible to more residents. Our Company will commit financial resources to ensure compliance with the applicable laws and regulations and our Directors are of the view that the costs for the implementation of the above plan is immaterial to our Group and we have adequate internal resources to construct and maintain the websites and mobile applications.

Going forward, we will explore various opportunities in building up our community leasing, sales and other services business operations overseas for the purposes of being qualified, as early as possible, to acquire the entire equity interest of Shenzhen Caizhiyun Network if and when the restrictions under the relevant PRC law on foreign ownership in value-added telecommunication enterprises are lifted. We will take active steps in identifying overseas acquisition targets which focus on the provision of online services in order for us to fulfill the Qualification Requirement and enrich our experience in the overseas value-added telecommunication business. We will begin to actively seek potential acquisition targets in overseas jurisdiction. As of the Latest Practicable Date, we had not identified any suitable acquisition targets.

Furthermore, we will adopt several corporate governance measures to ensure compliance with the Qualification Requirement. We plan to (i) implement a management system which we will designate our in-house legal department with the responsibility of monitoring by itself and through our PRC legal advisor the latest developments in the PRC laws and regulations in this regard and provide regular updates to our Directors, (ii) periodically consult with the MIIT, and (iii) start research into the regulatory environment and local market conditions of selected overseas jurisdictions for the purpose of identifying potential overseas jurisdictions in which the Company may consider establishing online business operations in the future if and when conditions are suitable. In the event that the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership are lifted but foreign investors are still

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required to comply with the Qualification Requirement, we will maintain close contact with the relevant PRC regulatory authorities and seek specific guidance as to the Qualification Requirement prior to taking any concrete actions to satisfy the Qualification Requirement.

Based on consultations with the relevant personnel responsible for the approval of foreign-invested value-added telecommunications services at MIIT, they have not indicated any objection on the operations to be conducted by the Novel Era through its website to meet the Qualification Requirement. Our PRC legal advisor is of the view that the exact details of the Qualification Requirement are subject to the discretion of the MIIT when it handles the specific applications from foreign investors intending to set up a foreign-invested value-added telecommunications enterprise under the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定). Our PRC legal advisor is of the view that such steps conducted or to be conducted by us are reasonable and appropriate to comply with the Qualification Requirement.

Our PRC legal advisor confirms that, if the restrictions on the percentage of foreign ownership in telecommunication services and the Qualification Requirement are lifted such that our Group can acquire all of the equity interests in Shenzhen Caizhiyun Network, on the basis that Shenzhen Caizhiyun Network has already obtained the ICP License, there will not be any legal impediment for our Group to operate our online community leasing, sales and other services business through the acquisition of 100% equity interest in Shenzhen Caizhiyun Network.

Our PRC legal advisor confirmed that, based on the prevailing laws and regulations in the PRC, each of the Structured Contracts individually and collectively do not violate the existing mandatory rules, regulations and laws in the PRC and the respective articles of association of the contracting parties. Each agreement that constitutes the Structured Contracts is legal, valid, binding on the contracting parties under PRC laws. Our PRC legal advisor also confirmed that the Structured Contracts would not be deemed as concealing illegal intentions with a lawful form and void under the PRC Contract Law (《中華人民共和國合同法》). Our PRC legal advisor has taken all possible actions or steps to enable it to reach the above legal conclusions.

Based on the above, our Directors are of the view that each of the Structured Contracts conferring significant control and economic benefits from Shenzhen Caizhiyun Network to our Company is enforceable under the PRC and local law.

Our Company is aware of the recent press articles claiming that certain PRC court rulings and arbitral decisions invalidated certain agreements which were intended to circumvent foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of Civil Laws, and that such court rulings and arbitral decisions may increase (i) the possibility of the PRC courts taking similar action on corporate structures commonly adopted by foreign investors to engage in restricted businesses in the PRC; and (ii) the incentive for the PRC owners of entities forming part of such corporate structures to renege on their contractual obligations. In particular, as confirmed by our PRC legal advisor, a recent judgment of the Supreme Court of the PRC deemed the entry by a Hong Kong company and a PRC company into a series of entrustment contracts designed to provide the Hong Kong company a means by which to conduct foreign investment in a PRC bank to be a circumvention of the mandatory provisions of PRC laws regulating the financial management system. Relevant PRC laws prohibit the investment of foreign capital by non-financial institutions and restrict the investment of foreign capital by financial institutions into PRC banks. The Supreme Court of the PRC held

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that the entrustment contracts were void on the basis that the parties' intention in entering into such contracts was to conceal an unlawful purpose, i.e. the indirect investment of foreign capital by the Hong Kong company into a PRC bank.

As confirmed by our PRC legal advisor, pursuant to Article 52 of the Contract Law, a contract shall be void under any of the following circumstances: (i) the contract is concluded through the use of fraud or coercion by one party, and therefore damages the interest of the State; (ii) malicious collusion is conducted to damage the interests of the State, a collective or a third party; (iii) the contract damages the public interests; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of PRC laws and administrative regulations. In the context of Article 52, our PRC legal advisor is of the view that the various contractual arrangements described in relevant recent press articles and the contractual arrangements subject to the decision of Supreme Court of the PRC described above can be differentiated from the Structured Contracts entered into by Shenzhen Caizhiyun Network, its shareholders and Shenzhen Colour Life Network Service on the bases that: (i) all of the parties to the Structured Contracts are companies established in the PRC or are PRC citizens; (ii) the parties entered into and perform the Structured Contracts willingly; (iii) none of the parties engaged in or were subject to any fraud or coercion or harbored malicious intent in entering into and performing the Structured Contracts; (iv) the Structured Contracts do not constitute or result in damage to the public interest; (v) the Structured Contracts are tailored to achieve a specific purpose and were not entered into to conceal an illegitimate act; (vi) the Structured Contracts do not involve or constitute the investment of foreign capital into a domestic enterprise; and (vii) the Structured Contracts do not violate or result in a violation of the Administrative Rules for Foreign Investment in Telecommunications Enterprises or the mandatory provisions of any PRC laws.

Accordingly, our PRC legal advisor is of the view that the entering into and performance of the Structured Contracts do not fall within any of the five circumstances under which contracts would be determined to be void as set out in Article 52 of the PRC Contract law including “an illegitimate purpose is concealed under the guise of legitimate acts,” and the related provisions of the General Principles of the Civil Law. However, there are risks associated with the Structured Contracts. For information, please see the section entitled “Risk Factors — Risks relating to Our Corporate Structure.”

In addition, to ensure that the shareholders of Shenzhen Caizhiyun Network will discharge their obligations under the Structured Contracts, the Equity Pledge Agreement will be registered with the competent administration for industry and commerce. In accordance with the Property Rights Law of the PRC (中華人民共和國物權法), the pledge interest shall be created at the time of registration of the pledge interest by the administration for industry and commerce. After registration, the share pledge will be enforceable against a third party.

Shenzhen Colour Life Network Service's entitlement to the economic benefits generated from the operations of Shenzhen Caizhiyun Network is part of the transactions under the Structured Contracts. Under the Structured Contracts, all the material business activities involving the restricted businesses of Shenzhen Caizhiyun Network are instructed and supervised by Shenzhen Colour Life Network Service and all economic benefits and risks arising from the business of Shenzhen Caizhiyun Network are transferred to Shenzhen Colour Life Network Service. The commercial purpose of the Structured Contracts is to provide our Group, having access to a fund raising platform after the Listing, with effective control over the financial and operational policies of Shenzhen Caizhiyun Network. Therefore, our Directors consider that there is clear commercial purpose behind the Structured Contracts.

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Further, the types of taxes and tax rates applicable to Shenzhen Caizhiyun Network are the same as or higher than those applicable to Shenzhen Colour Life Network Service. As such, the Structured Contracts and the transactions under the same do not have any favorable impact on the tax liabilities of our Group before the Structured Contracts were entered into. Therefore, our Company takes the view that the Structured Contracts are not, and should not be seen as, an attempt to avoid any of our Group's tax liabilities which may be subject to challenge by the PRC tax bureaus or government authorities.

Up to the Latest Practicable Date, our Group has not encountered any interference or encumbrances from any PRC governing bodies in operating their business through Shenzhen Caizhiyun Network under the Structured Contracts. After due and reasonable enquiries, in the opinion of our PRC legal advisor, Shenzhen Caizhiyun Network has obtained all necessary permits, approvals and certificates of qualifications to carry out its existing business activities in the PRC. However, there are risks associated with the Structured Contracts. For further information, please see the section entitled "Risk Factors — Risks relating to Our Corporate Structure."

Manner of Settlement of Disputes which May Arise from the Structured Contracts

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties. The arbitrator may award remedies over the shares or assets of Shenzhen Caizhiyun Network, injunctive relief or order the winding up of Shenzhen Caizhiyun Network. The courts of Hong Kong, the Cayman Islands, the PRC or the place where Shenzhen Caizhiyun Network's or Shenzhen Caizhiyun Network's principal assets are located will have the power to grant provisional remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases.

However, according to our PRC legal advisor, under the PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in operating entities in PRC in case of disputes. Such remedies therefore may not be available to our Group, notwithstanding the terms of the Structured Contracts. In other words, such provision in the Structured Contracts may not be enforceable.

The PRC laws do not disallow the arbitral body to give award of transfer of assets of or equity interest in Shenzhen Caizhiyun Network. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures.

Under the PRC laws, courts or judicial authorities in the PRC generally do not award remedies over the shares and/or assets of Shenzhen Caizhiyun Network, injunctive relief or winding-up of Shenzhen Caizhiyun Network as interim remedies, before there is any final outcome of arbitration.

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Our PRC legal advisor also has reservation that even though the terms of the Structured Contracts provide that overseas courts are given jurisdictions to grant and/or enforce interim remedies or in support of arbitration, such interim remedies may not be recognized or enforced by the PRC court. In the event we are unable to enforce the Structured Contracts, we may not be able to exert effective control over Shenzhen Caizhiyun Network, and our ability to conduct our business may be negatively affected.

Internal Control Measures

To ensure proper implementation of the Structured Contracts, we plan to take the following measures:

- (a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts will be reviewed by our Board on a regular basis which will be no less frequent than on a quarterly basis. Our Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will need to be retained to assist our Group to deal with specific issues arising from the Structured Contracts;
- (b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) will be discussed at such regular meetings which will be no less frequent than on a quarterly basis;
- (c) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of our Company on the compliance and performance conditions under the Structured Contracts and other related matters;
- (d) keep our Shareholders informed of our business operations through Structured Contracts in our annual reports where these operations are in aggregate material to our Group as required under paragraph 9 of Appendix 16 of the Listing Rules;
- (e) our compliance department, headed by Mr. Zhou Qinwei (周勤偉), our Executive Director and chief financial officer, will monitor the proper implementation and Mr. Pan Jun's (潘軍) and Mr. Tang Xuebin's (唐學斌) compliance with the Structured Contracts; and
- (f) also, pursuant to the Exclusive Management and Operation Agreement, the bank accounts of Shenzhen Caizhiyun Network are operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal is currently kept by Mr. Zhou Qinwei (周勤偉), an Executive Director.

REGISTRATION WITH THE PRC GOVERNMENT AUTHORITIES

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular No. 75, issued on October 21, 2005, (i) a PRC citizen residing in the PRC, or a PRC resident, shall register with the local branch of the SAFE before he or she establishes or controls an overseas special purpose vehicle, or an overseas SPV, for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an overseas SPV, or engages in overseas financing after contributing assets or equity interests into an overseas SPV, such PRC resident shall register his or her interest in the overseas SPV

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and the change thereof with the local branch of the SAFE; and (iii) when the overseas SPV undergoes a material event outside of China, such as a change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of the SAFE. Under the SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including the imposition of fines or restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas SPV.

Our PRC legal advisor, is of the opinion that Ms. Zeng Jie, Baby (曾寶寶), Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Mr. Ye Hui (葉暉), Mr. Wang Xuliang (王旭良), Mr. Guan Jiandong (關建東), Mr. Dong Dong (董東) and Mr. Chang Rong (昌榮) have completed the necessary registration with the relevant local branch of the SAFE on August 15, 2013 with respect to their interests in our Group and have complied with SAFE Circular No. 75.

REASONS FOR THE PROPOSED SPIN-OFF

Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of our Company, the listing of our Company will constitute a spin-off of Fantasia Holdings (the **"Proposed Spin-off"**).

The board of directors of Fantasia Holdings considers that the Proposed Spin-off is in the interests of Fantasia Holdings and the shareholders of Fantasia Holdings taken as a whole based on the following reasons:

- (a) the Proposed Spin-off will allow Fantasia Holdings and its shareholders an opportunity to realize their fair value of investment in our Group;
- (b) the Proposed Spin-off will enable our Group to build our identity as a separately listed group, and will provide separate fund-raising platforms for the Retained Group and our Group. Such platform would allow our Group to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion without reliance on Fantasia Holdings, thereby accelerating its expansion and improving its operating and financial performance, which in turn will provide better reward to the shareholders of both the Retained Group and our Group;
- (c) the Proposed Spin-off will allow the Retained Group to focus on expanding into the commercial property management market segment with a clearly delineated business objective, pursuant to which the Retained Group will concentrate on serving targeted customers that are small and medium enterprises, property owners and lessees of pure commercial properties by providing comprehensive facilities to develop their businesses in a convenient commercial environment. In contrast, our Group is restricted from providing property management services to pure commercial properties and will further develop our expertise and improve on our quality of residential property management service to provide a better and more convenient living environment for targeted customers that are property owners' associations, tenants and owners of the residential communities, and the majority of which are individuals and families in the capacity of residents. Such business focuses will enhance the expansion and operating performance of both the Retained Group and our Group;
- (d) as a separately listed group, our Group will be able to further build on our reputation and be in a better position to negotiate and solicit more businesses, and Fantasia Holdings will in turn be able to benefit from the growth of our Group through its shareholding in our Group;

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- (e) the Proposed Spin-off will increase the operational and financial transparency and improve the corporate governance of our Group and provide investors, the financial institutions and rating agencies with greater clarity on the businesses and financial status of the Retained Group and our Group on a stand-alone basis, and such improvements will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of both the Retained Group and our Group;
- (f) the Proposed Spin-off will enable our Group to enhance its corporate profile, thereby increasing its ability to attract strategic investors, who can produce synergy for our Group, for investment in and forming strategic partnerships directly with our Group. The Retained Group will benefit from such investments without further capital commitment;
- (g) the stock performance of our Group can serve as a separate benchmark for shareholders and the investing public to evaluate the performance of our Group which could in turn serve as an incentive for the management of our Group to seek improvement and raise management and operating efficiency of our Group on an ongoing basis; and
- (h) the Proposed Spin-off would enable a more focused development, strategy planning and better allocation of resources for the Retained Group and our Group with respect to their respective businesses, and both the Retained Group and our Group would benefit from the efficient decision-making process under the separate management structure for seizing emerging business opportunities.

The Proposed Spin-off by Fantasia Holdings complies with the requirements of Practice Note 15 of the Listing Rules.

BUSINESS

OVERVIEW

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

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

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

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

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

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

BUSINESS

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

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

OUR COMPETITIVE STRENGTHS

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

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

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

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

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

BUSINESS

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

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

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

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

Note:

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

BUSINESS

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

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

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

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

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

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

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

Note:

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

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

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

We have ample growth opportunities

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

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

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

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

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

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

OUR BUSINESS STRATEGIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Develop and attract proper talents to support our growth

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

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

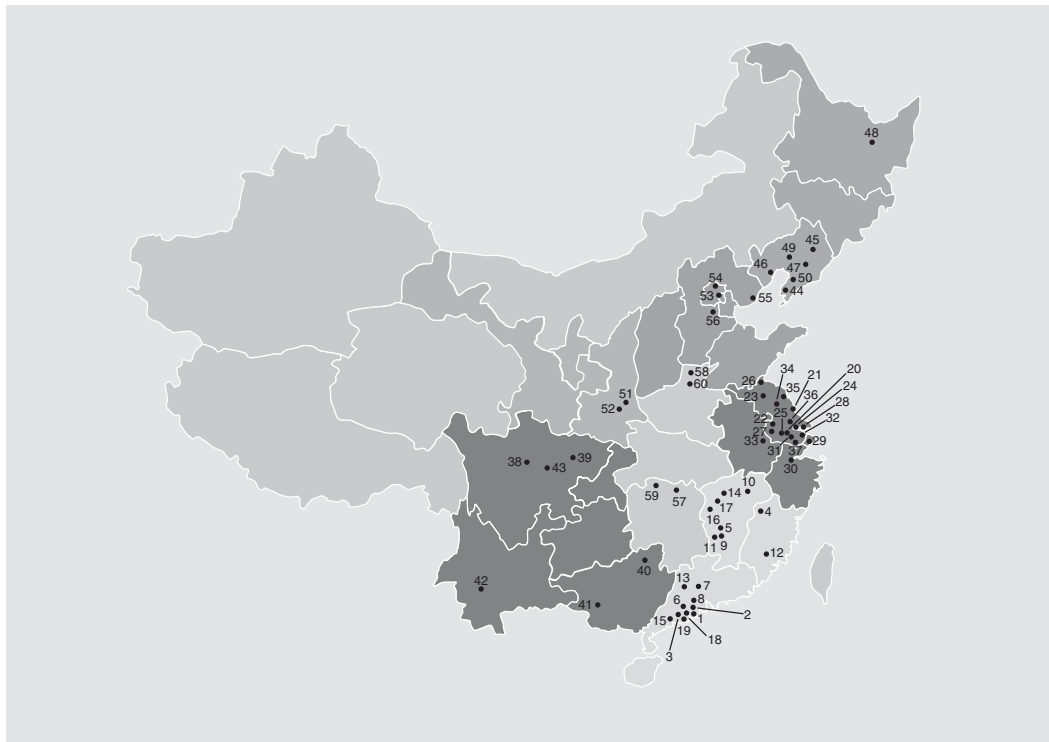
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Furthermore, we plan to increase our collaboration programs with additional vocational schools by setting up courses and composing lecture materials with a view to developing new talents who can thrive under our business model and culture. In addition,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

OUR PROPERTY MANAGEMENT SERVICES

Our Geographical Presence

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



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

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

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

Notes:

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

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

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

Notes:

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

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

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

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Nature of the Property Developers

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

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

Note:

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

Scope of Services for Our Property Management Services

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

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

- **Security services**

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

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- ***Cleaning and gardening services***

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

- ***Repair and maintenance services***

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

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

Standardization, Centralization and Automation

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

- ***Standardization***

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

- ***Centralization***

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

- ***Automation***

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

Benefits

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

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

Examples

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

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

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

Revenue Model of Property Management Services

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

Price range of property management fees

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

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

Notes:

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

Our pricing policy

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

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

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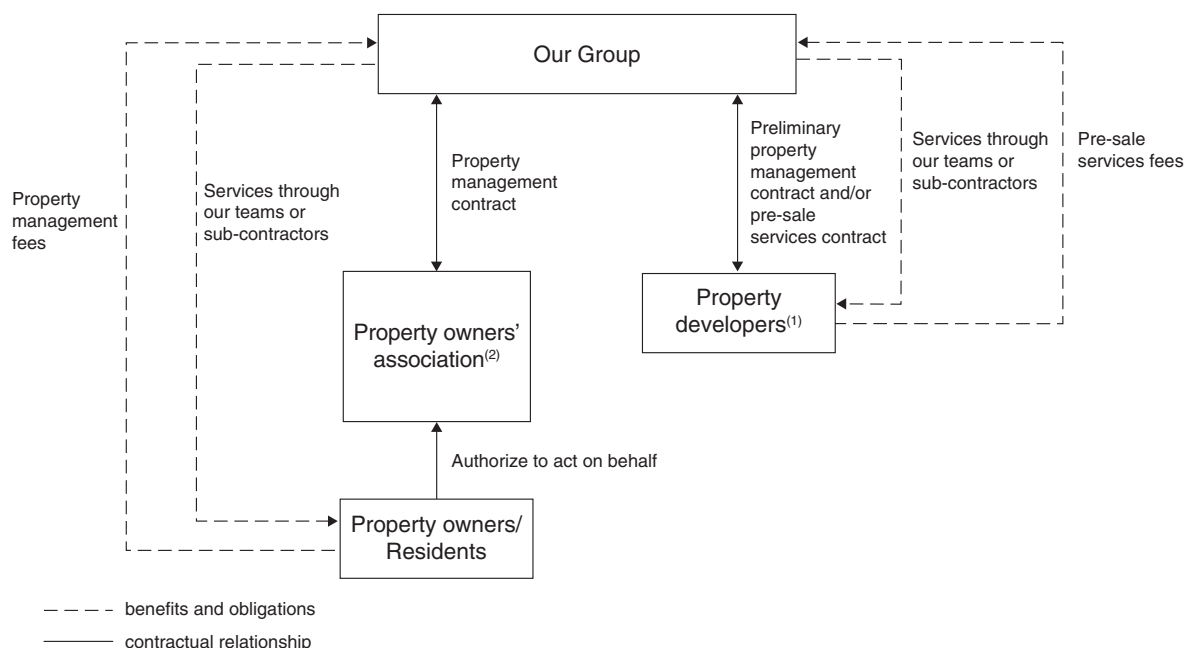
In the PRC, the fees that property management companies may charge in connection with property management services are strictly regulated and supervised by relevant PRC authorities. The relevant price administration department and construction administration department of the State Council are jointly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

Payment terms

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

Types of Property Management Contracts

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



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Notes:

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

Contracts with property developers regarding property management services

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

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

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

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

Contracts with property owners' associations regarding property management services

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

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

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

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

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

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Contracts with property developers regarding pre-sale services

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

Our Consultancy Services

Purpose of consultancy services

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

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

Geographical presence and size of consultancy services

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

Scope of consultancy services

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

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

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

Payment terms and credit periods for our consultancy services

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

Legality of the consultancy arrangements

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

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

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

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

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

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Expiration Schedule for Property Management Contracts

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

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

Notes:

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

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

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

Decision to Expand through Growing Property Management Services or Consultancy Arrangements

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

Selection Process of Target Communities for Expanding Our Property Management Services

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

Organic growth via obtaining new service contracts

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

New property management service contracts identification process and channels

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

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External acquisitions of property management companies

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

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

Notes:

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

Target identification and evaluation

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

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

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

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

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

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

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

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

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Post-acquisition evaluation

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

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

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

Selection Considerations for Consultancy Arrangements

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

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

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

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

OUR ENGINEERING SERVICES

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

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

Equipment Installation Services

Automation and other hardware equipment installation services

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

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Completed projects

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

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

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

Projects in progress

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

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

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

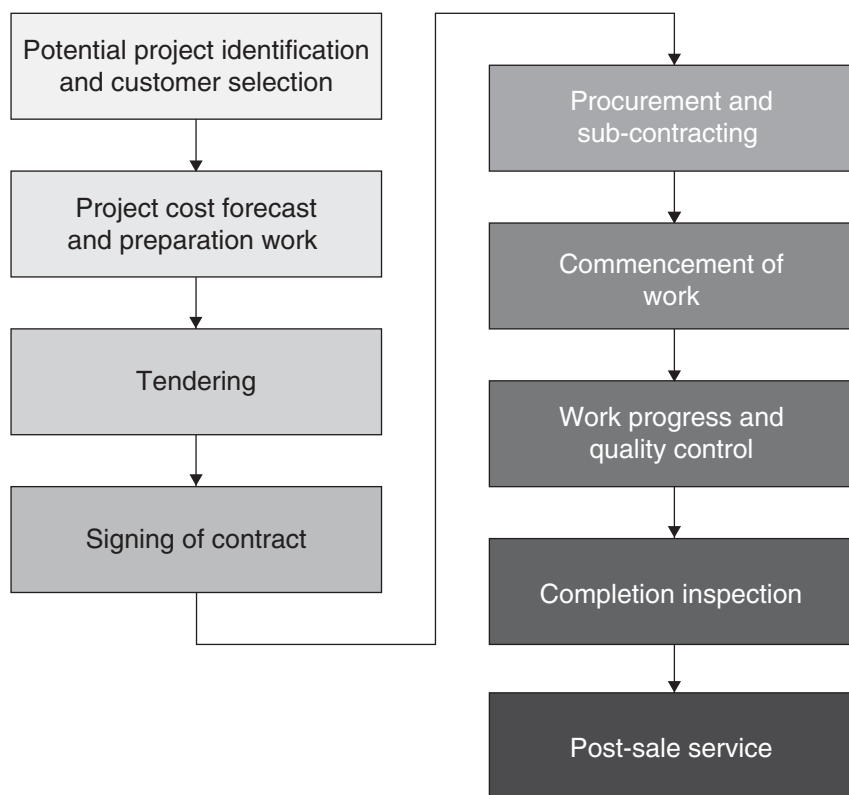
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As of April 30, 2014, we had the following selected contracted projects to be commenced:

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

Project workflow for automation and other hardware equipment installation services

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



- **Potential project identification and customer selection**

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

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- **Project cost forecast and preparation work**

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

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

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

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

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

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

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

- **Completion inspection**

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

- **Post-sale service**

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

Our pricing policy

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

Payment and credit terms

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

Energy-saving equipment installation services

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

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



Repair and Maintenance Services

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







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

Equipment Leasing


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

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

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

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

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

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

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

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

Contracts relating to Engineering Services

Equipment installation services

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

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

Repair and maintenance services

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

Equipment leasing

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

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OUR COMMUNITY LEASING, SALES AND OTHER SERVICES

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

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

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

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

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

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Note:

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

Portfolio of Community Leasing, Sales and Other Services

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

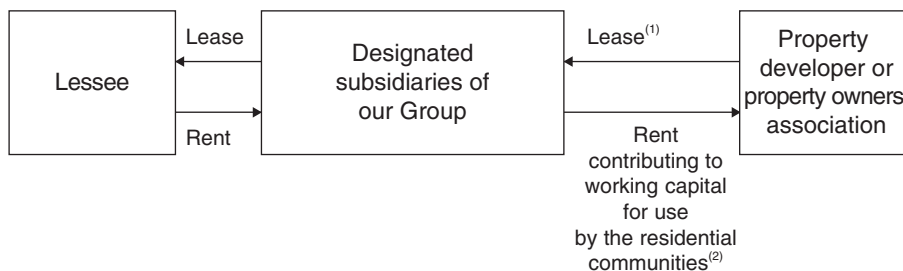
We expect our community leasing, sales and other services to continuously evolve to satisfy residents' and property owners' changing needs. In addition, our community leasing, sales and other services may vary across different residential communities, depending on a number of factors, including the local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

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

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

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

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



Notes:

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

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

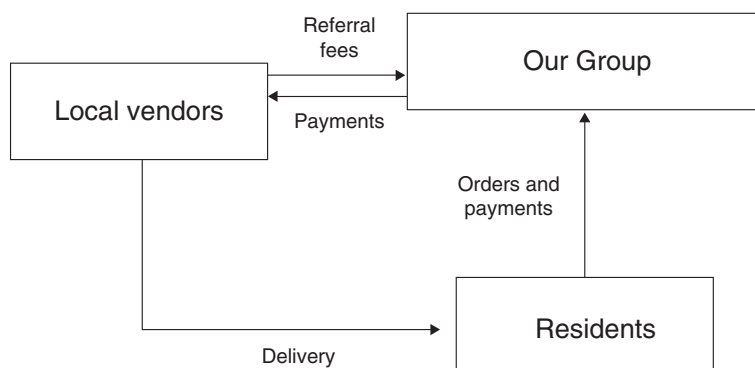
For our contractual arrangements with regard to common area rental assistance, please see the section entitled “— Key Contracts relating to Our Community Leasing, Sales and Other Services — Contracts regarding common area rental assistance.”

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

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

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

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



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

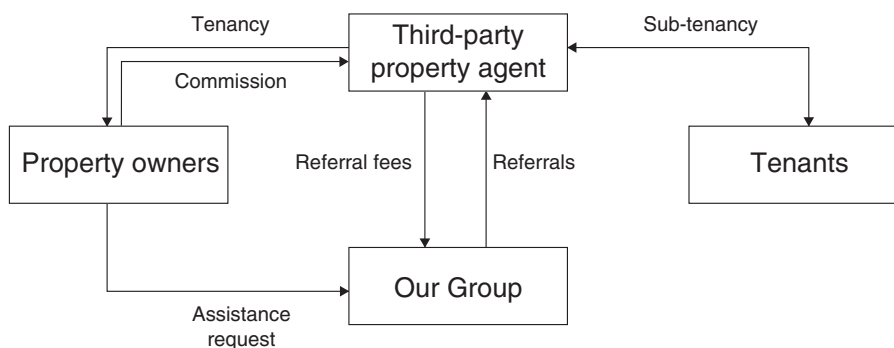
BUSINESS

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

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

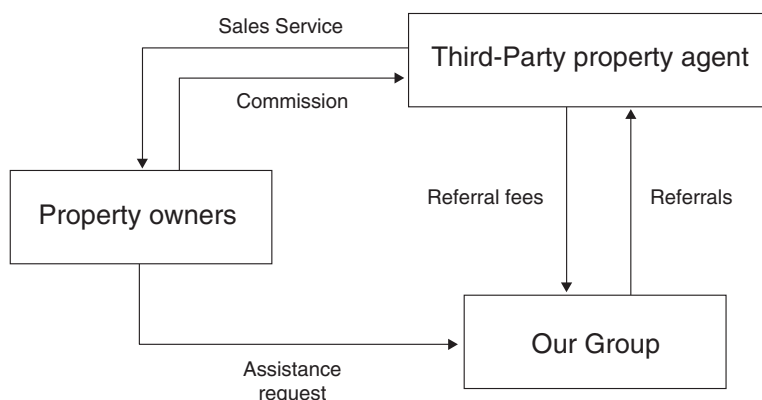
For our contractual arrangements with regard to residential and retail units rental and sales assistance, please see the section entitled “— Key Contracts relating to Our Community Leasing, Sales and Other Services — Contracts regarding residential and retail units rental and sales assistance.”

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



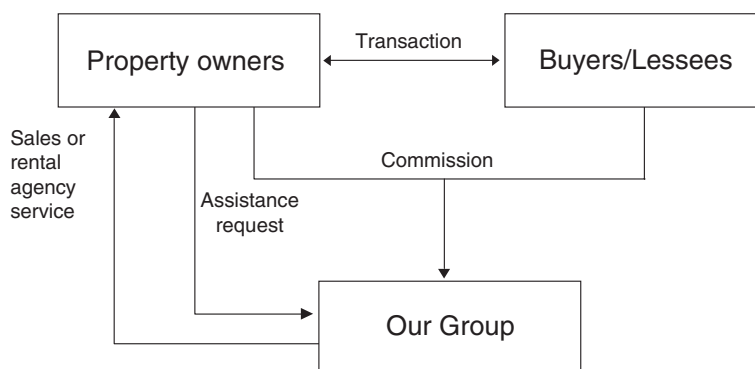
BUSINESS

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



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

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



Our Offline and Online Service Platform

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

BUSINESS

Colour Life website

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

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

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

Colour Space

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

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

Partnership with Local Vendors

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

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

BUSINESS

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

Contracts regarding common area rental assistance

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

Contracts regarding purchase assistance services

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

Contracts regarding residential and retail units rental and sales assistance

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

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

BUSINESS

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

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

SUB-CONTRACTING

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

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

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

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

BUSINESS

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

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

OUR SUPPLIERS

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

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

Note:

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

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

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

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

BUSINESS

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

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

OUR CUSTOMERS

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

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

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

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

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

BUSINESS

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

MARKETING

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

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

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

BUSINESS

TOLL FREE SERVICE HOTLINE

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



COMPETITION

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

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

BUSINESS

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

RESEARCH AND DEVELOPMENT

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

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

INTELLECTUAL PROPERTY RIGHTS

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

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

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

BUSINESS

EMPLOYEES

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

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

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

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

Note:

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

BUSINESS

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

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

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

QUALITY CONTROL

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

Quality Control over Property Management Services

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

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

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

BUSINESS

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

Quality Control over Third-party Sub-contractors and Procurement

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

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

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

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

Quality Control over Vendors

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

BUSINESS

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

HONORS AND AWARDS

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

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

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

INSURANCE

We have purchased community service liability insurance for several of the properties we manage. We generally require our third-party sub-contractors to purchase accident insurance for their employees or to be responsible for any injuries suffered by their employees when they discharge their duties at our sites. We believe our insurance coverage is in line with industry practice in the PRC, and we have not faced any material insurance claims during the Track Record Period. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. Please see the section entitled “Risk Factors — Risks relating to Our Business and Industry — Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter.”

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SOCIAL, HEALTH AND SAFETY MATTERS

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

In compliance with the relevant laws and regulations, we participate in various social welfare schemes for the benefit of our employees. See the section entitled “Directors, Senior Management and Employees — Employees Remuneration.” Our human resources department personnel are responsible for our social, health and safety issues. They administer employment and related matters and have knowledge of the latest legal developments in this area and our compliance with the relevant requirements. In addition, we have established internal policies aiming at promoting work safety through measures such as conducting safety trainings and setting up safety goals in order to promote a safe work environment and minimize workplace injuries. During the Track Record Period, some of our subsidiaries have not strictly complied with local policies governing contributions to social insurance. In addition, some of our subsidiaries have not opened accounts, made deposits or paid the required amounts with respect to certain housing provident funds for our employees in the PRC pursuant to the Regulations on the Administration of Housing Provident Fund. Please also see section entitled “— Legal Proceedings and Compliance — Non-compliance Record.”

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

QUALIFICATIONS AND LICENSES

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

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

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

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

Notes:

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

PROPERTIES

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

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

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

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

Notes:

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

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

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

Notes:

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

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

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

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LEGAL PROCEEDINGS AND COMPLIANCE

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

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

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

Non-compliance Record

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

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

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

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

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

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

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Internal Control

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

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

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

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

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

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

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

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

Overview

Our Controlling Shareholder, Fantasia Holdings, is a limited liability company incorporated in the Cayman Islands and its shares have been listed on the main board of the Stock Exchange since 2009. Fantasia Group is a leading property developer and property related service provider in the PRC. As of December 31, 2013, the market capitalization of Fantasia Holdings was HK\$6,557.6 million (based on the issued share capital and closing price of Fantasia Holdings on December 31, 2013) and Fantasia Group's net assets were approximately RMB7,831.3 million. In 2013, Fantasia Group's revenue and net profit were approximately RMB7,279.8 million and RMB1,230.2 million, respectively.

Fantasia Group is principally engaged in (i) property development which involves the development and sale of properties in the PRC; (ii) property investment which involves the leasing of investment properties; (iii) property agency and related services; (iv) property operational services which involve the provision of property management and other related services; and (v) hotel operations which involve the provision of hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services, in the PRC. The Retained Group is also engaged in the provision of credit services while our Group is not. Fantasia Holdings is owned as to 57.16% by Fantasia Pearl, 15.00% by TCL(HK) and 27.84% by the public as of the Latest Practicable Date.

Fantasia Group, through Shenzhen Colour Life Property Management, commenced the property management business in 2002. Its property management business primarily focused on the management of the residential communities and to a lesser extent also managed certain non-residential area ancillary to and inseparable from our residential communities such as commercial and office space and carparks. As a result of the expansion of the business of our Group, we became one of the leading property management companies in terms of the number of residential units managed in the PRC as of December 31, 2012. As of December 31, 2013, we had grown our coverage to 60 cities in the PRC where we were contracted to manage 436 residential communities and provide consultancy services to 179 residential communities.

In 2010, Fantasia Group began to explore opportunities in the property management business of pure commercial properties, as it believed that the economic growth in the PRC would lead to an increase in demand for commercial buildings and office spaces, which would in turn increase the demand for non-residential property management service. Although Shenzhen Colour Life Property Management had been managing some residential communities with ancillary non-residential area such as commercial and office space and carparks, given the different business models and objectives of non-residential property management as compared to the management of the residential communities (for further details please refer to the paragraph entitled "Business Delineation" in this section), and because Shenzhen Colour Life Property Management had determined to focus on the residential communities given its reputation in the residential property management market as well as its competitive strengths in providing property management community leasing, sales and other services to residents residing at and property owners of the residential communities, Fantasia Holdings established a separate commercial property management team focused on the management of pure commercial properties in late 2010 (the "**Relevant Time**"). Since then, Fantasia Holdings managed its property management business through separate and distinct property management brand names with Shenzhen Colour Life Property Management focusing on residential communities; and other property management teams focusing on the management of pure commercial properties.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

RELATIONSHIP AND STRATEGY

Relationship

Upon completion of the Global Offering, Fantasia Holdings will be interested in approximately 50.4% of our issued share capital. Accordingly, Fantasia Group will consolidate the financial results of our Group. While the interests of Fantasia Group may be different from our Shareholders (for further details, please see the section entitled “Risk Factors — Risks relating to the Global Offering — Our Controlling Shareholder has substantial control over the Company and its interests may not be aligned with the interests of the other Shareholders”), our Directors believe that the economic alignment in interests between the Retained Group and our Group that will result from Fantasia Holdings being the single largest shareholder of us following the completion of the Global Offering will mitigate the risk of the Retained Group acting in a way that may prejudice our Group and accordingly, the interests of our Shareholders.

Strategy

Following the Global Offering, the Retained Group will focus on operating property development business, property investment business, hotel management business as well as property management business targeting pure commercial properties. While both the Retained Group and our Group will engage in property management businesses, our Group will be restricted from providing property management services to pure commercial properties and will focus on the property management of residential communities which consist of ancillary non-residential area such as commercial and office space and carparks, whereas the Retained Group will focus on the property management of pure commercial properties such as office buildings, retail complexes, hotels and serviced apartments (the “**Retained Business**”). The Retained Business encompasses the provision of property management services to corporate enterprises and in particular small and medium enterprises (“**SMEs**”), retail property management services to owners or lessees of retail complexes and the management of hotels and serviced apartments.

15 pure commercial properties managed (or provided consultancy services to) by our Group

The table below sets forth the 15 pure commercial properties managed by our Group as of the Latest Practicable Date. Save for Fantasia Peanut Mall (花樣年•花生唐) which was developed by the Retained Group, the other seven pure commercial properties with the term of property management contracts started after the Relevant Time were managed by (or provided consultancy services to) the property management companies acquired by our Group after the Relevant Time. The property management companies were acquired by our Group because the majority of the property management portfolios of such property management companies consisted of residential communities and the pure commercial properties only represented a minority of their portfolios.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

a. Property management contract^(Note 1) with a term commenced before the Relevant Time

No.	Project name	Location	Date of property management contract ^(Note 1)	Expiry date of the property management contract ^(Note 1)	Percentage of GFA of the project which is non-residential in nature
1.	Seven Star Commercial Plaza (七星商業廣場)	Shenzhen	July 8, 2010	See note (2)	100.0%
2.	International Cultural Building (國際文化大廈)	Shenzhen	September 30, 2007	The earlier of the term set out in note (2) or September 30, 2017	100.0%
3.	Xiangnian Plaza (香年廣場) ^(Note 3)	Shenzhen	October 10, 2007	October 9, 2017	100.0%
4.	Xinian Plaza (喜年中心) ^(Note 3)	Shenzhen	January 1, 2003	January 1, 2018	100.0%
5.	Caike Building (彩科大廈)	Shenzhen	January 1, 2008	December 31, 2017	100.0%
6.	Chuangjian Building (創建大廈) ^(Note 1)	Shenzhen	November 17, 2008	March 1, 2015	100.0%
7.	Eastern Sea Marriot Plaza (東海萬豪廣場)	Shenzhen	February 28, 2006	The earlier of the term set out in note (2) or February 27, 2008. ^(Note 5)	100.0%

b. Property management contract with a term commenced after the Relevant Time

No.	Project name	Location	Date of property management contract	Expiry date of the property management contract	Percentage of GFA of the project which is non-residential in nature
1.	Zhongding Building (眾鼎大廈)	Guilin	November 1, 2010	October 31, 2014	100.0%
2.	Nanjing Customs Bureau (南京海關緝私局)	Nanjing	January 1, 2013	December 31, 2013 ^(Note 5)	100.0%
3.	Software Development Building (軟件研發大樓)	Nanjing	December 1, 2012	November 30, 2013 ^(Note 5)	100.0%
4.	Silicon Valley International (矽谷國際)	Huai'an	January 1, 2013	See note (2)	100.0%
5.	Caizhi Plaza (財智廣場)	Ganzhou	April 11, 2012	April 10, 2015	100.0%
6.	World Sunshine Plaza (天地陽光廣場)	Xiamen	July 11, 2012	See note (2)	100.0%
7.	Fantasia Peanut Mall (花樣年•花生唐) ^(Notes 3 and 4)	Nanjing	April 13, 2012	See note (2)	100.0%
8.	Xi'an Outsourcing Building (西安外包大廈) and Huatian Communications Buildings (華天通信)	Xi'an	June 1, 2011	May 31, 2014 ^(Note 5)	100.0%

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Notes:

- (1) The services provided to Chuangjian Building (創建大廈) is also under a consultancy service contract.
- (2) The property management contract will expire upon a new property management contract being entered by the owners' association.
- (3) The property being managed under the property management contract was developed by the Retained Group.
- (4) Fantasia Peanut Mall (花樣年•花生唐) was managed by our Group instead of the Retained Group because at the time when property management service was provided to this property, the Retained Group's property management business has not extended to Nanjing whilst our Group already had an established team in the area.
- (5) Although the term of the relevant property management contract has expired, our Group has continued to provide property management services to the relevant property because a new property management company has yet been appointed by the relevant owners' association or the owners.

Rationale for managing the pure commercial properties during the Track Record Period

As of the Latest Practicable Date, 15 pure commercial properties were being managed (or provided consultancy services to) by our Group instead of the Retained Group. The Retained Group commenced its commercial property management business in late 2010 and has only managed the properties developed by it since the Relevant Time. Among the 15 pure commercial properties, some of them were managed by our Group as the management contracts of these properties were entered into with us prior to the Relevant Time. The remaining properties were managed by our Group as the management of these properties were initiated by property management companies acquired by, and subsequently became, members of our Group. To eliminate the potential competition between our property management business and the Retained Business, our Group will transfer the management contracts (and the consultancy service contract in relation to Chuangjian Building) of the 15 pure commercial properties to the Retained Group prior to Listing.

Eight pure commercial properties managed by the Retained Group

Set out below are details of the eight pure commercial properties developed and managed by the Retained Group:

No.	Project name	Location	Nature
1.	Shenzhen Meinian Plaza (深圳美年廣場)	Shenzhen	Office, retail and hotel
2.	Shenzhen Funian Plaza (深圳福年廣場)	Shenzhen	Office and serviced apartments
3.	Chengdu Funian Plaza (成都福年廣場)	Chengdu	Retail and office
4.	Tianjin Xiangnian Plaza (天津香年廣場)	Tianjin	Office
5.	Chengdu Xinian Plaza (成都喜年廣場)	Chengdu	Office, serviced apartments, retail and hotel
6.	Chengdu Meinian Plaza (成都美年廣場)	Chengdu	Office and retail
7.	Chengdu Xiang Plaza (成都香年廣場)	Chengdu	Office, serviced apartments and retail
8.	Chengdu Longnian International Centre (成都龍年國際中心)	Chengdu	Retail and office

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

The following table sets forth key financials of the Retained Business during the Track Record Period:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	47,192	63,768	83,482
Net profit	2,434	6,660	10,008
Profit margin	5.2%	10.4%	12.0%

Rationale for non-inclusion of the eight pure commercial properties into our Group

Our property management business and the Retained Business are driven by different business models, strategies and objectives. Therefore, our Directors believe that it is not appropriate to include the Retained Business to our Group and the Retained Group currently has no intention to inject the Retained Business into our Group after the Global Offering. For further details, please refer to the paragraph entitled “— Business Delineation” in this section.

Further, injecting the Retained Business into our Group requires the consensus of our key management team who are also our Shareholders (the “**Management Shareholders**”) who beneficially owned approximately 28.8% of our Shares immediately prior to the Global Offering, and who had determined to principally focus on the provision of property management services to residential communities, given our reputation in the residential property management market as well as competitive strengths in providing property management and community leasing, sales and other services to residents residing at and property owners of the residential communities.

Two distinct business platforms

Our Directors believe that the Retained Group and our Group will form two distinct platforms with a distinct business focus that can fully leverage on each other on a complementary basis to optimize growth for the mutual benefits of both groups. For example, pursuant to the right of first refusal undertakings under the Deed of Non-Competition, Fantasia Holdings undertakes that if the Retained Group intends to dispose of any part or all of the Retained Business, or any interest in the Retained Business to any third party, it shall first offer to us the right to acquire such business or interest. For further details, please refer to paragraph entitled “— Deed of Non-Competition — Right of First Refusal Undertakings” in this section.

Our Group has also established corporate governance measures to manage potential conflicts of interest. For further details, please refer to paragraph entitled “— Corporate Governance Measures” in this section.

BUSINESS DELINEATION

As of the Latest Practicable Date, the Retained Group managed eight pure commercial properties in the PRC developed by the Retained Group and our Group managed (or provided consultancy services to) 15 pure commercial properties in the PRC. Following the Global Offering, while both the Retained Group and our Group will engage in property management businesses, our Group will continue to focus on the property management of residential communities and currently has no intention to engage in the property management of pure commercial properties, whereas the Retained Group will continue to focus on the property management of pure commercial properties.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Our Directors are of the view that (i) the Retained Business and our property management business have different business models and objectives which require different management expertise, skills and resources; (ii) the Retained Business, which involves non-residential property management, is separate and distinct from our core business which includes residential property management services focusing on residential communities, engineering service and community leasing, sales and other services; and (iii) our residential property management business will not be in extreme competition with the Retained Business due to the difference in target clientele. As such, our Directors are of the view that it is in the best interests of our Company to concentrate our resources on the development and growth of our core business.

Set out below are details of the key differences between our property management business and the Retained Business:

	<u>Our property management business</u>	<u>The Retained Business</u>
Business model	Our property management business focuses on residential communities which consist of ancillary non-residential area such as commercial and office space and carparks.	The Retained Business focuses on pure commercial properties such as office buildings, retail complexes, hotels and serviced apartments.
Property managed.	According to the “Planning and Construction of Urban Land Classification and Land Use Standards” (《城市用地分類與規劃建設用地標準》), “residential properties” primarily consist of residential properties that include ancillary non-residential area such as commercial and office space and carparks.	According to the “Planning and Construction of Urban Land Classification and Land Use Standards” (《城市用地分類與規劃建設用地標準》), “commercial properties” primarily consist of all types of commercial, business, entertainment and sports facilities but does not include ancillary facilities in residential communities.
Business objective	Provide a better and more convenient living environment to residents residing at and property owners of the residential communities.	Provide support to SMEs and lessees with comprehensive facilities to develop their businesses in a convenient commercial environment.
Target customers	Property owners’ associations, tenants and owners of the residential communities, and the majority of them are individuals and families in the capacity of residents residing at and property owners of the residential communities.	SMEs, property owners and lessees of pure commercial properties.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

	Our property management business	The Retained Business
Services rendered and skillset	<p>We focus on providing residential property management services which consist of: (i) property management services such as security, cleaning, gardening, repair and maintenance provided to residential communities, which primarily consist of residential area with ancillary office space and car parks, and (ii) pre-sale services provided to property developers such as the maintenance of the pre-sale display units. In general, the skillset required for the property management of residential communities is more basic than those required for pure commercial properties.</p>	<p>The Retained Business focuses on providing property management services for pure commercial properties such as office buildings, retail complexes, hotels and serviced apartments.</p> <p>The Retained Business primarily consists of: (i) lease management for the pure commercial properties; (ii) optimizing the mix of different retail tenants in the non-residential property; (iii) provision of peripheral services to assist the customer's business development (such as arranging promotional events at the premises, providing administrative support and office supplies to office tenants); and (iv) arrange bookings for hotels and serviced apartments. All cleaning and maintenance work are outsourced to sub-contractors.</p>
Key business partners	<p>Our major business partners are local vendors for the provision of goods and services in connection with our property management services with an aim to improve the residents' living quality.</p>	<p>The major business partners are office supplies providers, event organizers and sub-contractors that provide cleaning and maintenance services.</p>

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

In addition to the above, there are differences in the residential and pure commercial properties markets and the management of such properties such as legal and regulatory differences in the PRC. Details are set out below:

Requirements	Residential properties	Pure commercial properties
Layout, design and facilities	The layout, building design and facilities required under the PRC laws for residential communities and pure commercial properties are different. Property management of residential communities target to serve the needs of an integrated community with low turnover rate of tenants and visitor flow.	Property management for commercial properties purports to provide a convenient and comfortable environment with a focus to cater large visitor flow. The requirements for the design and facilities aim to provide business efficacy for commercial users. In particular, fire safety management and facilities for residential and commercial properties have their own specific requirements under PRC laws.
Property usage	The services rendered mainly focus on improving the living environment of the residents, and such services aim to satisfy the basic needs of the residents.	The property management services to be provided to them will often be driven by the needs of the tenants for the purpose of furthering the business opportunities and/or the value of the commercial activity undertaken by the tenants.
Property management fee	According to the “Measures on the Charges of Property Management Enterprise”《物業服務收費管理辦法》, the fees charged by property management services shall be based on both the guidance prices of the PRC government and market-regulated prices with reference to the nature and features of properties of various kinds. The specific pricing principles shall be determined by the competent price administration departments and property administration departments of the relevant PRC government authorities in each province, autonomous region and municipality directly under the central government.	Property management fees charged are also regulated by the “Measures on the Charges of Property Management Enterprise”《物業服務收費管理辦法》. However, the property management fee charged for commercial properties are usually higher.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

In light of the above differences, property management services is tailored and customized to accommodate the differences in the property involved and thus the property management of residential communities and pure commercial properties requires different expertise and resources (such as sub-contractors including their skillset). During the Track Record Period and up to the Latest Practicable Date, there was no overlap of sub-contractors between our Group and the Retained Group. Given that our business in residential property management is entirely different from the Retained Business and the expertise required in the two businesses are different, the skillset in managing commercial properties may not be easily transferable to residential property management companies and vice versa.

INDEPENDENCE OF OUR GROUP FROM THE RETAINED GROUP

Overlapping Business

(A) *Eight pure commercial properties managed by the Retained Group*

As of the Latest Practicable Date, the Retained Business consisted of the management of eight pure commercial properties in the PRC developed by the Retained Group with a total GFA of 1,353,722 sq.m. In 2011, 2012 and 2013, the revenue attributable to the Retained Business represented approximately 0.9%, 1.1% and 1.2% of the Retained Group's total revenue, respectively. In 2011, 2012 and 2013, profit attributable to the Retained Business represented approximately 0.2%, 0.8% and 0.9% of the Retained Group's total profit, respectively. In light of the above, our Directors are of the view that the revenue and profit contributed by the Retained Business to the Retained Group is not substantial.

(B) *15 pure commercial properties managed (or provided consultancy services to) by our Group*

As of the Latest Practicable Date, our Group managed (or provided consultancy services to) 15 pure commercial properties in the PRC with a total GFA of 739,101 sq.m. In 2011, 2012 and 2013, the revenue attributable to the 15 pure commercial properties represented approximately 18.6%, 16.9% and 11.3% of our Group's total revenue, respectively. In 2011, 2012 and 2013, profit attributable to the 15 pure commercial properties represented approximately 0.5%, 0.5% and 1.2% of our Group's total net profit from continuing operations, respectively. In light of the above, our Directors are of the view that the total net profit from continuing operations contributed by the 15 pure commercial properties to our Group is not substantial.

To eliminate the potential competition between our property management business and the Retained Business, we have reached agreements with all relevant parties to transfer all our rights, obligations and related responsibilities under the management contracts (and the consultancy service contract in relation to Chuangjian Building) of the 15 pure commercial properties to the Retained Group prior to Listing by entering into tripartite transfer agreements. Such tripartite transfer agreements have the effect of superseding the previous property management agreements thereby limiting the liabilities of our Group under the previous agreements after the date as agreed by the relevant parties. Given the tripartite transfer agreements will be entered into for transferring all the rights and obligations and the related responsibilities under the management contracts of the 15 pure commercial properties to the Retained Group in accordance with the relevant laws and regulations prior to Listing, our PRC legal advisor is of the view that the possibility of us incurring any compensation or penalty is remote.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

(C) Commercial and retail properties within the residential communities managed by us

We manage certain commercial and retail properties located within the residential communities. For example, premises situated on the first and/or the second floor of a residential building designated as retail shops are managed by us. These commercial and retail properties form an integral part of the residential communities and it is not feasible for us to transfer the management of such commercial and retail properties within the residential communities to the Retained Group or other third parties given the restriction under the relevant PRC laws and regulations. In light of the above, our Directors are of the view that the management of such commercial and retail properties within the residential communities by us is consistent with our Group's business focus.

In 2011, 2012 and 2013, the revenue attributable to such portions of the properties represented 0.6%, 0.6% and 1.9% of our Group's total revenue, respectively. In 2011, 2012 and 2013, profit attributable to such portions of properties represented approximately 1.1%, 0.8% and 2.1% of our Group's total net profit from continuing operations, respectively.

Taking into account the above considerations, our Directors believe that the overlapping business will not result in material adverse impact to our Group's operations or financial results.

According to paragraph 3.3.2 of the Code for Classification of Urban Land Use and Planning Standards of Development Land, residential properties include both the residential properties and the ancillary facilities within that specific property, such as retail and office buildings. In addition, according to paragraph 6.0.2 of the Code of Urban Residential Areas Planning and Design, residential areas shall include ancillary facilities which shall be planned, constructed and commenced into operation simultaneously with the residential properties within such areas. According to paragraph 3.0.2.2 of Code of Urban Residential Areas Planning and Design, based on different sizes of population in the residential areas, residential areas shall consist of 50% to 80% of its total site areas being used for residential purposes, and the specific percentage of the areas for each community shall be approved by the competent local planning authorities. Given the above, it is evident that the PRC government recognizes the need of having ancillary facilities in residential properties.

To the best of our Directors' knowledge and in compliance with the above PRC standards, majority of the residential properties in the PRC have ancillary non-residential facilities within the communities.

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Below is a table showing our Group's portfolio on properties managed in terms of the percentage GFA of the residential and non-residential in nature as of December 31, 2013:

Percentage of GFA which is for residential use	No. of properties under management or consultancy service arrangements	% of the total number of properties under management or consultancy service arrangements	Cumulative % of the total number of properties under management or consultancy service arrangements	Remarks
90% or above	485	77.0%	77.0%	residential communities
80% to less than 90%	74	11.7%	88.7%	residential communities
75% to less than 80%	20	3.2%	91.9%	residential communities
70% to less than 75%	15	2.4%	94.3%	residential communities
65% to less than 70%	7	1.1%	95.4%	residential communities
20% to less than 65%	14	2.2%	97.6%	residential communities
0%	15	2.4%	100.0%	15 pure commercial properties
Total:.....	630			

Business delineation scheme post completion of Global Offering and potential competition

Consistent with our Group's past business strategy, our Group will continue to focus on acquiring property management companies or bidding for property management contracts where majority of the portfolio consists of residential communities. As a corporate governance measure, we will establish a management team to be headed by Mr. Zhou Qinwei, our Executive Director and chief financial officer, to oversee our future acquisitions and to ensure that our future acquisitions will be conducted in compliance with the the following manner. To the extent such acquisition targets also manage pure commercial properties, we will perform due diligence to evaluate the feasibility and practicality of the disposal of the management contracts for such pure commercial properties from a commercial and regulatory perspective and if the disposal is determined to be technically difficult or unlikely feasible, we will not proceed with such acquisition. Where the disposal is determined to be feasible, our Group will ensure that a condition precedent of the acquisition will be in place such that the management contracts of the pure commercial properties will be disposed prior to the completion of such acquisition. In the event that we are required to pay a deposit to the buyer before completion after negotiation with the relevant seller, our Group will also ensure to include a clause in the sale and purchase

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agreement that the seller must return the deposit to us if the condition precedent is not satisfied. The escrow arrangement is expected to be set out in the sale and purchase agreement in order to ensure the certainty for us to get back the deposit in case the conditions precedent cannot be fulfilled by the relevant seller. Additionally, in order to facilitate the sale and purchase agreement can be completed within a reasonable timeframe, we intend to set out the long-stop date for satisfying the conditions precedent to be within six months from the date of the sale and purchase agreement. However, the determination of the long-stop date is subject to various factors including but not limited to the complication of the transaction and the number of pure commercial properties required to be disposed, thus the long-stop date is determined on a case-by-case basis. We believe there are ample acquisition opportunities in the market, and therefore our ability to continue to expand our property management portfolio will not be materially adversely affected.

As for the Retained Group, it will only acquire property management companies or bid for property management contracts where the business portfolios are purely commercial in nature, which includes serviced apartments, office buildings, and retail properties such as retail complexes. To the extent such acquisition targets also manage residential communities, the Retained Group will perform due diligence to evaluate the feasibility and practicality of the disposal of the management contracts for such residential communities from a commercial and regulatory perspective and if the disposal is determined to be technically difficult or unlikely feasible, the Retained Group will not proceed with such acquisition. Where the disposal is determined to be feasible, the Retained Group will ensure that a condition precedent of the acquisition will be in place such that the management contracts of the residential communities will be disposed prior to the completion of such acquisition. In the event that the Retained Group is required to pay a deposit to the buyer before completion after negotiation with the relevant seller, the Retained Group will also ensure to include a clause in the sale and purchase agreement that the seller must return the deposit to them if the condition precedent is not satisfied. The escrow arrangement is expected to be set out in the sale and purchase agreement in order to ensure the certainty for the Retained Group to get back the deposit in case the conditions precedent cannot be fulfilled by the relevant seller. Additionally, in order to facilitate the sale and purchase agreement can be completed within a reasonable timeframe, the Retained Group intends to set out the long-stop date for satisfying the conditions precedent to be within six months from the date of the sale and purchase agreement. However, the determination of the long-stop date is subject to various factors including but not limited to the complication of the transaction and the number of residential communities required to be disposed, thus the long-stop date is determined on a case-by-case basis. The Retained Group's investment management department will oversee its future acquisitions and to ensure that its future acquisitions will be conducted in compliance with the above.

In disposing the management contracts, the Retained Group and us must comply with the PRC Contract Law (《中華人民共和國合同法》) and the explanations of the PRC Contract Law. The PRC Contract Law and the explanations of the PRC Contract Law provide that contracts may be terminated by mutual agreement or in accordance with the terms in the relevant contracts.

The above business delineation scheme was adopted with a view to: (i) solidify our Group's positioning as a residential property management company; and (ii) provide a clear delineation of business and minimize potential competition between the Retained Group and our Group. The classification of the properties will be made based on the designated usage prescribed by the completion general layout plan (竣工總平面圖), a document approved by the relevant PRC government authority which cannot be amended arbitrarily by any third party without obtaining the prior approval of the relevant PRC government authority.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Based on the size of each of the residential property market and commercial property market, our Directors are of the view that each market can accommodate different types of property management business and minimize the potential competition.

According to National Bureau of Statistics of China, there were 4,863.5 million sq.m. and 787.4 million sq.m. of residential properties in terms of GFA under construction and completed annually in the PRC, respectively, in 2013, representing a CAGR of 16.9% and 7.7%, respectively, from 2008. As of December 31, 2013, the residential communities our Group managed and provided consultancy services to occupied an aggregate contracted GFA of approximately 63.3 million sq.m. and 28.2 million sq.m., respectively.

Separately, according to National Bureau of Statistics of China, there were 806.3 million sq.m. and 108.5 million sq.m. of commercial properties in terms of GFA under construction and completed annually in the PRC, respectively, in 2013, representing a CAGR of 21.5% and 11.1%, respectively, from 2008. As of the Latest Practicable Date, the eight pure commercial properties managed by the Retained Group occupied an aggregate contracted GFA of approximately 1.4 million sq.m. Taking into account the relative size of the residential communities managed by our Group, by comparing to the overall market, and by comparing the relative size of the pure commercial properties managed by the Retained Group to the overall market, each of the markets is relatively large and can accommodate the two different types of property management business pursued by our Group and the Retained Group. Therefore, our Directors are of the view that there is minimal potential competition (if any) between our Group's residential property management business and the Retained Business.

In addition, as mentioned above, both the residential and commercial property markets in the PRC have demonstrated growth in the past few years supporting the growth of the residential and commercial property management industry. Also, as demonstrated by our Group's past external acquisitions, our Group has started to place increased emphasis on selectively pursuing acquisition opportunities for regional property management companies which focus on management of residential communities. Our Directors are of the view that substantial amount of resources and management focus are required to develop the expertise in order to capture business opportunities in each of the residential and commercial property management businesses in the PRC. As such, our Group will continue to focus on the residential property management market in order to maximize the ability to capture the potential opportunities for our Group. Our Directors believe this is in the best interests of our Group's current and future shareholders.

Given the above, our Directors are of the view that there is minimal potential competition between our residential property management business and the Retained Business.

Independent Business Operations

The business operations of our Group are carried out separately from the business operation of the Retained Group. Our Group also has its own teams of sub-contractors and suppliers, which are independent from those of the Retained Group. In addition, the technical, finance, information technology and human resources departments and other administrative support of our Group are separate and delineated from those of the Retained Group.

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The Retained Group has adopted a tendering process in selecting service providers for the pre-delivery property management services including (i) the provision of on-site security, cleaning and other related services as well as customer services to be provided to the property sales centre of the Retained Group, such as concierge services, customer car parking guidance at the pre-sale stage; and (ii) the provision of operations and management services at the pre-delivery stage for the unsold portion of the property developments (the “**Pre-delivery Property Management Services**”) and the engineering services including but not limited to installation and fitting of power systems, energy-saving lights and other related services (the “**Engineering Services**,” together with the Pre-delivery Property Management Services, the “**Continuing Connected Transactions**”) according to its own internal control guidelines.

Under the Temporary Measures on the Tendering and Bidding for Initial Property Management Services (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang 2003 No. 130), property developers in the PRC are required to conduct the tendering and bidding process for the selection of service providers for the provision of initial property management services (such as security, cleaning, repair and maintenance) prior to the engagement of a property management company by the property owners or the owners’ association in relation to a property development that consists of solely residential properties or both residential properties and pure commercial properties located in the same property management areas (the “**Initial Property Management Services**”). The relevant PRC laws and regulations require property developers to establish a bid evaluation committee in selecting a property management company for Initial Property Management Services in the tendering process. The bid evaluation committee shall consist of an odd number of five or more members with both representatives from the property developer issuing the tender and property management experts. At least two thirds of the members of the bid evaluation committee shall be property management experts who are not representatives of the property developer issuing the tender. The property management experts shall be selected on a random basis from a list of experts compiled by the local real estate administrative department. In cases where there are less than three bidders or the property development is of minor scale, upon the approval of the competent real estate administration department of PRC government of the district and county in the locality of the property development, the property developer may engage a property management company directly through a contract. As confirmed by the Retained Group, the tendering and bidding process adopted by the Retained Group in relation to the selection of service providers for Initial Property Management Services is in compliance with the PRC laws and regulations applicable to the Retained Group. For further details, please refer to the section entitled “Laws and Regulations relating to the Industry – Legal Supervision Over the Property Management Sector in the PRC — Appointment of the Property Management Enterprise.” It is not mandatory under the PRC laws for the Retained Group to conduct tendering process for the Engineering Services.

Our Group does not unduly rely on the Retained Group on the following grounds:

- (a) for the post-delivery property management services for properties developed by the Retained Group, the owners’ associations or the owners of such properties are entitled to conduct their own evaluation process and make the decision on selection of the property management service provider. The Retained Group does not have any role in such evaluation and selection process.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- (b) for the Continuing Connected Transactions, the Retained Group conducts a tendering process for the selection of service providers in accordance with its internal policy and, where applicable, the relevant PRC laws and regulations. It has, in the past, selected and engaged service providers other than our Group based on their terms of service as compared to those offered by our Group. From the Retained Group's perspective, our Group functions as an independent profit centre and does not enjoy any preferential treatment. From our Group's perspective, the Retained Group is one of its potential clients and it has to compete against other service providers. In addition, with the growth of our Group, the contribution to our Group by these services to the Retained Group is expected to decline.

Having considered the above, the Directors are of the view that our Group does not unduly rely on the Retained Group in relation to its operations and we will be able to operate independently from Fantasia Holdings and its associates (other than our Group) upon Listing.

Financial Independence

As of December 31, 2013, our Group had a net balance of RMB29.3 million, which was non-trade in nature, due to various fellow subsidiaries of the Retained Group. Please refer to Note 43(b) to the Accountants' Report as set out in Appendix I to this prospectus for further details. All balances which are non-trade in nature between our Group and our related parties will be settled prior to the Listing. Further, during the Track Record Period, the Retained Group has provided a guarantee to our Group in relation to a bank loan of RMB40 million which was released when the loan was repaid in full on February 28, 2012. Save as aforesaid, our Group does not currently, and is not expected in the future to, rely on Fantasia Holdings for financial support.

Although our Group has entered into the Continuing Connected Transactions with certain members of the Retained Group, which will continue to be in effect after the Listing, the revenue generated from such connected transactions was not substantial as compared with the total revenue of our Group. The revenue generated from the connected transactions as disclosed in the section entitled "Connected Transactions" represented approximately 17.7%, 21.1% and 12.2% of our Group's total revenue in 2011, 2012 and 2013, respectively. The profit generated from such transactions represented approximately 11.6%, 10.7% and 4.3% of the Group's total net profits for continuing operations in 2011, 2012 and 2013, respectively. For further details of the Continuing Connected Transactions between us and the Retained Group, please refer to the section entitled "Connected Transactions."

Based on the foregoing, we believe that our Group will be able to finance its own operations and function independently without reliance on the Retained Group upon the Listing. Furthermore, none of the debts or loans of the Group will be guaranteed by any connected person of the Group upon the Listing.

Management Independence

Our Group will function independently from the Retained Group in terms of its mode of operation and management upon the Listing. Further details regarding the members of the Board and members of the senior management of our Company are listed in the section entitled "Directors, Senior Management and Employees" of this prospectus.

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The daily operations of our Group are principally managed by our Executive Directors, namely Mr. Tang Xuebin (唐學斌), Mr. Dong Dong (董東) and Mr. Zhou Qinwei (周勤偉), and other members of the senior management of our Group. Mr. Pan Jun (潘軍) and Mr. Lam Kam Tong (林錦堂) as Non-executive Directors will focus on the overall strategic planning of our Company and will not be involved in the day-to-day operations of our Group.

The three Independent Non-executive Directors appointed by our Company are different from the independent non-executive directors of Fantasia Holdings.

At the subsidiary level of our Group, Mr. Pan Jun (潘軍) and Mr. Lam Kam Tong (林錦堂) are also directors of certain of our subsidiaries and their role at our Group is administrative in nature and they do not participate in the day-to-day management of these subsidiaries.

Given that only two out of nine of the Directors are members of the board of directors of Fantasia Holdings, and none of them are involved in the day-to-day management of our Group, and there is no overlap among the other senior management members of our Group and the Retained Group, our Directors are of the view that our Group does not rely on the Fantasia Group in terms of management and the day-to-day operation and hence the management functions of the Group can be conducted independently of the Retained Group. Notwithstanding the above, on issues that involve our Company and Fantasia Holdings where Mr. Pan Jun (潘軍) or Mr. Lam Kam (林錦堂) Tong may have actual or potential conflicts of interests, each of them will refer the matter to the Independent Non-executive Directors and abstain from voting on the relevant Board resolutions in compliance with the Articles of Association.

Accordingly, our Group does not rely on the Retained Group in terms of management. Besides the aforementioned common directorship, the day-to-day operation and management functions of the Group have been independent of the Retained Group since its establishment.

Administrative Independence

All the essential administrative functions of our Group are handled at the head office of our Company with its own team of staff members independent from the Retained Group. Our Company will lease its office premises from an independent third party and the office will be situated at a location different from that of Fantasia Holdings immediately after Listing. All essential administrative functions of our Group have been and will be carried out without the support of the Retained Group.

POTENTIAL CONFLICTS OF INTEREST

The fact that both the Retained Group and our Group will engage in the property management business might give rise to potential conflicts of interest between the Retained Group and our Group. Our Directors believe that the potential conflict of interest arising from the operations of the Retained Group and our Group can be sufficiently reduced by the following mitigating measures:

- (i) Fantasia Holdings has entered into the Deed of Non-Competition in favor of our Company; and
- (ii) the Deed of Non-Competition encompasses a right of first refusal mechanism in favor of our Group.

For further details, please refer to the paragraph entitled “Deed of Non-Competition” in this section.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

DEED OF NON-COMPETITION

Non-Competition Undertakings

In order to eliminate any potential competition with us, Fantasia Holdings, our Controlling Shareholder has undertaken to us in the Deed of Non-Competition that, during the period commencing from the Listing Date and until the earlier of (i) the date on which our Shares cease to be listed on the Stock Exchange; or (ii) the date on which Fantasia Holdings cease to hold, whether directly or indirectly, 30% or more of our Shares (the “**Non-Competition Period**”):

- (i) the Retained Group will not engage in any business involving the following activities:
 - property management focusing on residential communities;
 - engineering services primarily including (i) equipment installation services, (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through our equipment leasing; or
 - community leasing, sales and other services targeting residents residing at and property owners of the residential communities primarily including (i) common area rental assistance, (ii) purchase assistance and (iii) residential and retail units rental and sales assistance.
- (ii) in relation to the residential communities developed by the Retained Group, the Retained Group will not participate in the property management of such properties but will select property management companies through a tendering process in which our Group will be invited to participate; and
- (iii) if the Retained Group has identified or is offered any project or new business opportunities to engage in or acquire a company engaging in property management for residential communities, it shall provide us (subject to such confidentiality requirements as may be applicable) all information and documents possessed by it in respect of such project or new business opportunity in relation to property management of residential communities to enable us to evaluate the merits of the same.

The business opportunity shall be reviewed by our Executive Directors, who shall make their recommendation to our Independent Non-executive Directors, on whether or not to take up the business opportunity in relation to property management of residential communities referred to us under the terms of the Deed of Non-Competition after the Retained Group notifies our Company of such business opportunity in writing. Our Independent Non-executive Directors will be responsible for deciding whether or not to take up a business opportunity referred to us within one month under the terms of the Deed of Non-Competition.

Our Company is of the view that the one-month period for our Independent Non-executive Directors to consider whether our Company shall pursue such business opportunity is reasonable: on one hand, it allows sufficient time for our Executive Directors to make their recommendation to our Independent Non-executive Directors and for our Independent Non-executive Directors to review the information relating to the business opportunity and (where necessary) to employ, at our Company’s cost, an independent financial advisor as they consider necessary to advise our Independent Non-executive Directors on the business opportunity. Such one-month period is the reasonable period which could minimize the time for the Retained Group to offer the business opportunity to any other Independent Third Parties.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Under the above proposed arrangement, our Company's management team will undertake a passive role and the decision as to whether or not our Company will take up the business opportunity rests solely with our Independent Non-executive Directors. We consider that the above implementation plan will ensure a high degree of effectiveness in terms of decision making under the Deed of Non-Competition.

Right of First Refusal Undertakings

Apart from the above non-competition undertakings, Fantasia Holdings has also undertaken to us in the Deed of Non-Competition that, during the Non-Competition Period, if the Retained Group intends to dispose of any part or all the Retained Business, or any interest in the Retained Business to any third party, it shall first offer to us the right to acquire such business or interest and the Retained Group may only proceed with such disposal to any third party, on terms not more favorable than those offered to us, following the rejection of such offer by us (the "**Right of First Refusal**"). In deciding whether to exercise the right, our Directors will consider various factors including the purchase price, the benefits that it will bring to our Group as well as whether we have adequate management and resources to manage and operate the business operations of such business. Our Independent Non-executive Directors shall decide whether or not to exercise the right within one-month after the Retained Group notifies our Company of such business opportunity in writing.

Our Company is of the view that the one-month period for our Independent Non-executive Directors to consider whether our Company shall pursue such business or interest is reasonable. Further, all the interested Directors who are also directors of Fantasia Holdings shall abstain from voting when considering whether to accept or reject such option. If necessary, our Board shall also be entitled to engage separate professional party to provide legal and/or financial advice to it in connection with the exercise of the option.

The grant of the Right of First Refusal by Fantasia Holdings to us pursuant to Deed of Non-Competition would constitute a connected transaction under Rule 14A.68 of the Listing Rules. As only a nominal sum of RMB1 was paid to Fantasia Holdings for such grant, none of the percentage ratios under Chapter 14 of the Listing Rules (where applicable) will have exceeded the de minimis threshold of 0.1%. Accordingly, such grant of the Right of First Refusal is exempt from all reporting, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

The exercise of the Right of First Refusal after the Listing would constitute a connected transaction under the Listing Rules. In addition, pursuant to Rule 14A.70(3), the non-exercise of the Right of First Refusal will be treated as if the option was exercised and would constitute a connected transaction. As required by Chapter 14A of the Listing Rules, we will comply with the relevant reporting, announcement and/or independent Shareholders' approval requirements concerning the connected transaction constituted by the exercise of the Right of First Refusal. We will also make an appropriate announcement if a decision not to exercise the Right of First Refusal is made, or if the Right of First Refusal lapses without being exercised, and will comply with other relevant reporting and/or independent shareholders' approval requirements concerning the connected transaction constituted by the non-exercise of the Right of First Refusal.

The Deed of Non-Competition also provides that:

- our Independent Non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by Fantasia Holdings;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- Fantasia Holdings has undertaken to us that it will, and will procure its subsidiaries to use its best endeavors to provide all information necessary for the annual review by the Independent Non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by the Independent Non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report; and
- Fantasia Holdings will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflicts of interests arising from the possible competing business of our Group and the Retained Group and to safeguard the interest of the Shareholders:

- a. our Independent Non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-Competition by Fantasia Holdings;
- b. our Company will disclose decisions on matters reviewed by our Independent Non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition by our Group and the Retained Group in the annual reports of our Company;
- c. our Directors will comply with our Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested;
- d. pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the “**CG Code**”), our Directors, including the Independent Non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at our Company’s cost;
- e. all connected transactions between our Company and our connected persons will be subject to annual review by our Independent Non-executive Directors as well as the auditors of our Company;
- f. our compliance department will be responsible for ensuring that the existing business portfolios will be consistent with our business scope and we will not acquire property management companies or bid for property management contracts for pure commercial properties;
- g. in respect of the business opportunity referred to us by the Retained Group under the Deed of Non-Competition, our Independent Non-executive Directors will review all information and documents provided by it in respect of the same;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- h. our Directors will ensure that any material conflict or potential conflict of interests involving Fantasia Holdings will be reported to our Independent Non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities;
- i. our Company has appointed a compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors' duties and internal control;
- j. in September 2013, we established a compliance department headed by Mr. Zhou Qinwei, our Executive Director, to conduct a review on the effectiveness of such internal control measures on an half-yearly basis to ensure due compliance of the Deed of Non-Competition; and
- k. furthermore, our Company will disclose the basis of any decision made by the Company relating to compliance and enforcement of the Deed of Non-Competition in our annual reports and/or by way of an announcement.

Our Company will comply with the CG Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviation from it in the corporate governance report which will be included in our annual report. Our Directors and the Joint Sponsors have reviewed the above corporate governance measures and believe that the above measures will enable our Group to operate independently from the Retained Group and adequately manage any potential competition which may arise between our Group and the Retained Group following the Listing.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain transactions with parties who are our connected persons and these transactions will continue following the Listing Date, thereby constituting continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Provision of Engineering Services by Shenzhen Kaiyuan Tongji to the Retained Group

(a) Description of the transaction

On June 11, 2014, Shenzhen Kaiyuan Tongji entered into an engineering services framework agreement (the “**Engineering Services Agreement**”) with Fantasia Group (China) and Shenzhen Fantasia Real-estate Group Ltd. (深圳市花樣年地產集團有限公司) (“**Shenzhen Fantasia**”), each an indirect wholly owned subsidiary of the Retained Group, pursuant to which Shenzhen Kaiyuan Tongji agreed to provide engineering services, including but not limited to installation and fitting of power systems, energy-saving lights and other related services to the Retained Group in respect of certain properties developed by each of them (the “**Engineering Services**”), for a term commencing from the Listing Date and ending on December 31, 2016.

(b) Historical transaction amounts

In 2011, 2012 and 2013, the total transaction amount for the Engineering Services provided by our Group to the Retained Group amounted to approximately RMB19,358,000, RMB24,601,000 and RMB14,983,000, respectively. The total amount charged for the Engineering Services provided by our Group to the Retained Group during the Track Record Period was based on the total number of contracts for which such Engineering Services was required, with reference to the scope of services under each of such contracts and the fees charged under each of such contracts and taking into consideration the prevailing market price for similar services provided by Shenzhen Kaiyuan Tongji to Independent Third Parties. The Engineering Services Agreement was entered into on normal commercial terms.

(c) Annual caps on future transaction amounts

Our Directors estimate that the maximum annual fee of the Engineering Services to be provided by our Group to the Retained Group under the Engineering Services Agreement for each of the three years ending December 31, 2016 will not exceed RMB15,500,000, RMB16,000,000 and RMB16,500,000, respectively.

The annual cap for the year ending December 31, 2014 for the provision of Engineering Services has been determined based on (i) a reasonable increment of the engineering service fees to be charged by our Group taking into account the expected inflation rate for the year ending December 31, 2014; and (ii) the estimated completion schedule of our engineering service contracts entered into with the Retained Group for the year ending December 31, 2014 compared to 2013.

The annual caps for the two years ending December 31, 2016 for the provision of the Engineering Services have been determined based on (i) the estimated revenue amount recognized for the year ending December 31, 2014 under the Engineering Services Agreement; (ii) the estimated total GFA of the properties expected to be constructed by the Retained Group in 2015 and 2016 compared to 2014 based on the Retained Group’s development plan; and (iii) a reasonable increment of the engineering service fees to be charged by our Group taking into

CONNECTED TRANSACTIONS

account the expected inflation rate for the two years ending December 31, 2016. The Retained Group's development plan and its major operating decisions, such as the purchase of land and the approval of projects for development, are subject to the decision of the business development department of the Retained Group comprising senior management members of the Retained Group for corporate business expansion and development strategy. The Retained Group's development plans are first proposed by its business development department then sent to each project company for review and comment. The revised development plan is first passed to a team of senior management of the Retained Group comprising its chief executive officer and several vice presidents, and then submitted to its board of directors for final approval. The Retained Group's development plans are derived on an annually basis for the coming three years and are made based on analyzing various factors such as the general economic condition and growth rate, anticipated demand for residential and commercial properties, disposable income and purchasing power of consumers and land reserve.

(d) Listing Rules implication and waiver

Each of Fantasia Group (China) and Shenzhen Fantasia is an indirect wholly owned subsidiary of Fantasia Holdings, a substantial shareholder of our Company, and is a connected person of our Company for the purpose of the Listing Rules. The transactions under the Engineering Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing. Since each of the percentage ratios (other than the profits ratio) for the transactions under the Engineering Services Agreement is expected to be more than 5% on an annual basis, the transactions under the Engineering Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

We have applied for, and the Stock Exchange has granted us, waiver from strict compliance with the announcement and independent shareholders' approval requirements of the Listing Rules in respect of the transaction as contemplated under the Engineering Services Agreement subject to the aggregate value of such non-exempt continuing connected transactions for each financial year not exceeding the relevant annual caps set forth above.

(e) The view of our Directors

Our Directors, including the Independent Non-executive Directors, consider that the above continuing connected transaction is conducted on normal commercial terms and is fair and reasonable and in the interests of our Company and our Shareholders as a whole and is in the ordinary and usual course of our business. Our Directors, including the Independent Non-executive Directors, are also of the view that the annual caps of such non-exempted continuing connected transaction above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

2. Provision of Pre-delivery Property Management Services by Shenzhen Colour Life Property Management to the Retained Group

(a) Description of the transaction

On June 11, 2014, Shenzhen Colour Life Property Management entered into a pre-delivery property management services framework agreement (the "**Pre-delivery Property Management Services Agreement**") with Fantasia Group (China) and Shenzhen Fantasia, each an indirect wholly owned subsidiary of the Retained Group, pursuant to which Shenzhen Colour Life Property Management agreed to provide pre-delivery property management services which can be categorized into services to be provided at the pre-sale and pre-delivery stages, including but not limited to (i) the provision of on-site security, cleaning and other related

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services as well as customer services to be provided to the property sales centre of the Retained Group such as concierge services, customer car parking guidance at the pre-sale stage and (ii) the provision of operations and management services at the pre-delivery stage for the unsold portion of the property developments, to the Retained Group in respect of certain properties developed by it (the “**Pre-delivery Property Management Services**”), for a term commencing from the Listing Date and ending on December 31, 2016.

(b) Historical transaction amounts

In 2011, 2012 and 2013, the total transaction amount for the Pre-delivery Property Management Services provided by our Group to the Retained Group amounted to approximately RMB6,538,000, RMB16,015,000 and RMB12,615,000, respectively. The fees charged for the Pre-delivery Property Management Services provided by our Group to the Retained Group was determined based on the total GFA of the property projects of which such management services is required and the fees of such services determined with reference to the prevailing market price. The Pre-delivery Property Management Services Agreement was entered into on normal commercial terms.

(c) Annual caps on future transaction amounts

Our Directors estimate that the maximum annual fee of the Pre-delivery Property Management Services to be provided to our Group by the Retained Group under the Pre-delivery Property Management Services Agreement for each of the three years ending December 31, 2016 will not exceed RMB18,980,000, RMB19,600,000 and RMB21,000,000, respectively.

The annual cap for the year ending December 31, 2014 for the provision of Pre-delivery Property Management Services has been determined based on (i) the estimated pre-sale schedule of the properties developed by the Retained Group and managed by our Group; (ii) the estimated pre-sale services fee determined based on market prices; (iii) the estimated delivery schedule of those projects developed by the Retained Group and managed by us and the amount of unsold units at the pre-delivery stage; and (iv) the estimated pre-delivery service fees determined based on market price.

The annual caps for the two years ending December 31, 2016 for the provision of Pre-delivery Property Management Services have been determined based on (i) the estimated revenue recognized in relation to pre-sale service and pre-delivery service for those projects developed by the Retained Group and managed by our Group for the year ending December 31, 2014; (ii) the estimated pre-sale GFA of the properties developed by the Retained Group based on the Retained Group’s development plan and managed by us for 2015 and 2016 compared to 2014; (iii) the estimated delivery GFA of the properties developed by the Retained Group based on the Retained Group’s development plan and managed by us and potential unsold portion for 2015 and 2016 compared to 2014; and (iv) a reasonable increment of the management fees to be charged by our Group taking into account the expected inflation for the three years ending December 31, 2016.

(d) Listing Rules implication and waiver

Each of Fantasia Group (China) and Shenzhen Fantasia is an indirect wholly owned subsidiary of Fantasia Holdings, a substantial shareholder of our Company, and is a connected person of our Company for the purpose of the Listing Rules. The transactions under the Pre-delivery Property Management Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing. Since each of

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the percentage ratios (other than the profits ratio) for the Pre-delivery Property Management Services Agreement is expected to be more than 5% on an annual basis, the transactions under the Pre-delivery Property Management Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

We have applied for, and the Stock Exchange has granted us, waiver from strict compliance with the announcement and independent shareholders' approval requirements of the Listing Rules in respect of the transaction as contemplated under the Pre-delivery Property Management Services Agreement subject to the aggregate value of such non-exempt continuing connected transactions for each financial year not exceeding the relevant annual caps set forth above.

(e) The view of our Directors

Our Directors, including the Independent Non-executive Directors, consider that the above continuing connected transaction is conducted on normal commercial terms and is fair and reasonable and in the interests of our Company and our Shareholders as a whole and is in the ordinary and usual course of our business. Our Directors, including the Independent Non-executive Directors, are also of the view that the annual caps of such non-exempted continuing connected transaction above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

3. Structured Contracts

(a) Description of the transaction

As disclosed in the section entitled "History, Reorganization and the Group Structure," we are currently not permitted to acquire an equity interest in Shenzhen Caizhiyun Network, which holds a license for the general provision of value-added telecommunication services, as pursuant to the administrative Rules for Foreign Investment in Telecommunication Enterprises promulgated by the State Council on December 11, 2001 and amended on September 10, 2008, the provision of value-added telecommunication services is classified as an industry in which foreign investors are restricted to invest in. For further details of the related policies, please refer to the section entitled "History, Reorganization and the Group Structure — The Structured Contracts." To incorporate the business of Shenzhen Caizhiyun Network into our Group, the Structured Contracts were entered into with an objective to establish a situation pursuant to which Shenzhen Colour Life Network Service has obtained effective management, operational and economic control over Shenzhen Caizhiyun Network and has an exclusive option to purchase all or part of the entire equity interest of Shenzhen Caizhiyun Network when and to the extent permitted by PRC law.

The Structured Contracts comprise five agreements, namely (i) the Exclusive Management and Operation Agreement; (ii) the Call Option Agreement; (iii) the Shareholders' Rights Entrustment Agreement; (iv) the Equity Pledge Agreement; and (v) the Power of Attorney, which were all entered into among Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network, Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌). Each of Mr. Pan Jun (潘軍) and Mr. Tang Xuebin (唐學斌) is our Director and therefore a connected person of our Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Structured Contracts constitute continuing connected transactions under Chapter 14A of the Listing Rules upon Listing. Save for the Equity Pledge Agreement, each of the other Structured Contracts is for a term of 10 years and renewable for successive 10-years terms upon the request from Shenzhen Colour Life Network Service before expiration of the first 10-year term.

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(b) Reasons for the transaction

As stated above, the Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated by our Group as if it were our subsidiary, resulting in all economic benefits of its business flowing to our subsidiary, Shenzhen Colour Life Network Service and us. Through the appointment by Shenzhen Colour Life Network Service of all directors and senior management of Shenzhen Caizhiyun Network, we believe that Shenzhen Colour Life Network Service is able to effectively supervise, manage and operate the business operations, expansion plans and financial policies of Shenzhen Caizhiyun Network, and at the same time, ensure due implementation of the Structured Contracts.

Based on the terms of the Structured Contracts, the arrangements under the Structured Contracts also enable us to acquire the equity interest of Shenzhen Caizhiyun Network at the lowest possible amount permissible under the applicable PRC laws. Further, the Directors consider that, notwithstanding the lack of equity ownership between us and Shenzhen Caizhiyun Network, pursuant to the Structured Contracts, we are entitled to control the business of Shenzhen Caizhiyun Network in substance.

(c) The view of our Directors

For the reasons stated above, our Directors (including the Independent Non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, have been and shall be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Our Directors also believe that our structure, which allows Shenzhen Caizhiyun Network's financial results to be consolidated into our financial statements as if it were our wholly owned subsidiary and the flow of economic benefits from its business to us, places our Group in a special position in relation to the connected transaction rules. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts technically constitute continuing connected transactions for the purposes of Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable and would impose unnecessary administrative costs on us to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules in respect of these continuing connected transactions.

Our Directors further confirm that it is a normal business practice and in the best interest of our Company and our Shareholders for the Structured Contracts to be of duration longer than three years.

(d) Listing Rules implication and waiver application

The transactions under the Structured Contracts constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Accordingly, pursuant to Rule 14A.42(3) of the Listing Rules, we have applied for and the Stock Exchange has agreed to grant a waiver from strict compliance with the reporting, announcement, independent shareholders' approval, annual cap and agreements with fixed

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term of no more than three years requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions under the Structured Contracts for so long as our Shares are listed on the Stock Exchange and subject to the following conditions:

- (a) No changes without Independent Non-executive Directors' approval: Except as described below, no changes to the Structured Contracts will be made without the approval of the Independent Non-executive Directors;
- (b) No changes without independent shareholders' approval: No changes to the Structured Contracts will be made without the approval of our independent Shareholders;
- (c) Economic benefits flexibility: The Structured Contracts continue to enable our Group to receive the relevant economic benefits derived by Shenzhen Caizhiyun Network through: (i) our option at any time (if and when permitted under PRC laws) to acquire, all or part of the entire equity interest of Shenzhen Caizhiyun Network at the lowest price permissible under PRC laws; (ii) the business structure under which the revenue generated by the cooperation between our Group and Shenzhen Caizhiyun Network is mainly retained by our Group; and (iii) our right to govern the financial and operating policies as well as, in substance, all of the voting rights of Shenzhen Caizhiyun Network;
- (d) Renewal and cloning: The framework of the Structured Contracts may be renewed and/or cloned upon the expiry of the existing arrangements or, in relation to any existing or new wholly foreign-owned enterprise or operating company that our Group might wish to establish, without obtaining the approval of Shareholders, on substantially the same terms and conditions as the Structured Contracts. The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company that our Group may establish upon renewal and/or cloning of the Structured Contracts will be treated as our connected persons and transactions between these connected persons and us other than those under the same Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals; and
- (e) Ongoing reporting and approvals: We will disclose details relating to the Structured Contracts on an ongoing basis as follows:
 - details of the Structured Contracts will be disclosed in our annual reports and accounts in accordance with the relevant provisions of the Listing Rules;
 - the Independent Non-executive Directors will review the Structured Contracts annually, and confirm in our annual reports and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts so that the revenue generated by Shenzhen Caizhiyun Network and our subsidiaries have been mainly retained by our Group; (ii) no dividends or other distributions have been made by Shenzhen Caizhiyun Network to its shareholders; and (iii) any new Structured Contracts entered into, renewed or reproduced between Shenzhen Caizhiyun Network and us during the relevant financial period are fair and reasonable, or advantageous, so far as our Company are concerned and in the interests of our Shareholders as a whole;

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- our auditor will carry out review procedures annually on the transactions under the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, at least 10 Business Days before the bulk-printing of our Company's annual report, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by Shenzhen Caizhiyun Network to its shareholders;
- for the purposes of Chapter 14A of the Listing Rules, Shenzhen Caizhiyun Network will be treated as our Company's wholly owned subsidiary, and its respective directors, chief executives or substantial shareholders of Shenzhen Caizhiyun Network and its respective associates will be connected persons, and transactions between these Connected Persons and us, other than those under the Structured Contracts, will be subject to requirements under Chapter 14A of the Listing Rules; and
- Shenzhen Caizhiyun Network will undertake to provide our management and auditor full access to its relevant records for the purpose of our auditor's review of the connected transactions.

Joint Sponsors' Confirmations

The Joint Sponsors have confirmed to our Company that the Joint Sponsors are of the opinion that the non-exempt continuing connected transactions have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms, and are fair and reasonable to our Company and in the interests of the Company and the shareholders of our Company as a whole. The Joint Sponsors have further confirmed that the proposed annual caps in respect of the Engineering Services Agreement and the Pre-delivery Property Management Services Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole. With respect to the term of the relevant agreements constituting the Structured Contracts which term is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of Shenzhen Caizhiyun Network can be effectively controlled by Shenzhen Colour Life Network Service; (ii) Shenzhen Colour Life Network Service can obtain the economic benefits from the operation of Shenzhen Caizhiyun Network; and (iii) any possible dissipation of assets and values of Shenzhen Caizhiyun Network can be prevented.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, comprising three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum of Association and Articles of Association. We have entered into service contracts with each of our Executive Directors. We have also entered into letters of appointment with each of our Non-executive Directors and Independent Non-executive Directors.

The table below shows certain information in respect of members of the Board:

Name	Age	Date of Joining our Group	Appointment Date	Position and Responsibilities
Directors				
TANG Xuebin (唐學斌) .	46	December 6, 2002	October 30, 2012	Executive Director and chief executive officer, responsible for the operation and management of our Group
DONG Dong (董東) . . .	50	January 1, 2004	October 30, 2012	Executive Director and chief operating officer, responsible for the operation and management of information technology of our Group
ZHOU Qinwei (周勤偉) .	35	February 1, 2013	April 25, 2014	Executive Director and chief financial officer, responsible for financial management of our Group
PAN Jun (潘軍)	43	December 6, 2002	March 16, 2011	Chairman and Non-executive Director, responsible for the overall operation of the Retained Group
LAM Kam Tong (林錦堂)	45	October 30, 2012	October 30, 2012	Non-executive Director, responsible for investor relations, financial and regulatory related matters of the Retained Group
ZENG Liqing (曾李青) . .	44	June 11, 2014	June 11, 2014	Non-executive Director
TAM Chun Hung Anthony (譚振雄) . . .	63	June 11, 2014	June 11, 2014	Independent Non-executive Director
LIAO Jianwen (廖建文) .	47	June 11, 2014	June 11, 2014	Independent Non-executive Director
XU Junda (徐俊達)	69	June 11, 2014	June 11, 2014	Independent Non-executive Director

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Name	Age	Date of Joining our Group	Appointment as senior manager	Position and Responsibilities
Senior Management				
YE Hui (葉暉)	42	January 1, 2004	January 10, 2013	Vice president, responsible for the development and management of the planning and marketing department
CHANG Rong (昌榮) .	38	November 26, 2002	January 10, 2013	Vice president, responsible for the operation and management of operation and management center
GUAN Jiandong (關建東)	37	December 1, 2001	January 10, 2013	Vice president, responsible for the operation and management of community platform center
DING Yang (丁楊) . . .	39	April 19, 2004	January 10, 2013	Assistant general manager of the branding department
YU Haihua (于海華) .	34	March 28, 2011	January 10, 2013	General manager of human resources department, responsible for human resources strategic planning and enforcement
CAI Guoqi (蔡國奇) . .	49	September 1, 2008	January 10, 2013	Chief officer of the CEO office, responsible for the general operation and management of the CEO office

DIRECTORS

Executive Directors

Mr. TANG Xuebin (唐學斌), aged 46, was appointed as our Director on October 30, 2012 and was re-designated as our Executive Director on June 11, 2014. He is also the chief executive officer of our Company. He joined our Group in 2002 and is responsible for the operation and management of our Group. He also serves as a general manager of a number of subsidiaries of our Group. Mr. Tang has over 15 years of experience in property management. Prior to joining our Group, he worked at China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company which is principally engaged in property management from 1997 to 2001, where his last position held was the deputy general manager and was primarily responsible for the management of engineering department. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in July 1993, an Executive Master of Business Administration degree ("**EMBA degree**") from China Europe International Business School (中歐國際工商學院) in September 2010 and an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in June 2012.

Mr. Tang, through Splendid Fortune, has a 21.60% attributable interest in our Company. Save as disclosed above, Mr. Tang has no interests in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Tang is independent from and is not related to any Directors, senior management, substantial shareholders or Controlling Shareholder of the Company. Save as disclosed above, Mr. Tang does not hold any other position with the Company or its subsidiaries and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three

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years. Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Tang's appointment as an Executive Director.

Mr. DONG Dong (董東), aged 50, was appointed as our Director on October 30, 2012 and was re-designated as our Executive Director on June 11, 2014. He is also the chief operating officer of our Company. He joined our Group in 2004 and is responsible for the operation and management of information technology of our Group. He was the general manager of Shenzhen Kaiyuan Tongji from 2004 to 2005. In 2013, he became the vice president of our Group. Mr. Dong has 15 years of experience in property management. Prior to joining our Group, he was the manager, deputy manager and assistant manager of engineering department of China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company which is principally engaged in property development from September 1998 to January 2002, where he was primarily responsible for the management and operation of property development projects. He was the deputy chief engineer of Shenzhen Kaiyuan International Property Management Co., Ltd. (深圳市開元國際物業管理公司), a company which is principally engaged in property management from February 2002 to December 2004, where he was primarily responsible for the management and operation of property development projects. He was the electrical engineer and chief officer (科長) of quality control department and the senior engineer of Xinjiang Construction Corps No. 1 Construction and Installation Company (新疆生產建設兵團第一建築安裝公司), a company which is principally engaged in the engineering and construction business from November 1993 to May 1996, where he was primarily responsible for the management and operation of engineering and construction projects. Prior to November 1993, he was also a teacher of Xinjiang Shihezi University (新疆石河子農學院). Mr. Dong attended and completed a master research teaching assistance training course in fundamental physics (基礎物理) at Sichuan University (四川大學) in July 1992. Mr. Dong obtained the certificate of National Senior Engineer in July 1996. He also possesses the qualification as a Chinese government certified supervision engineer (國家註冊監理工程師) and registered real estate agent (國家註冊房地產經紀人). Mr. Dong attended business executive development program at Cheung Kong Graduate School of Business (長江商學院) and completed the program in July 2013.

Mr. Dong has no interests in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Dong is independent from and is not related to any Directors, senior management, substantial shareholders or Controlling Shareholder of the Company. Save as disclosed above, Mr. Dong does not hold any other position with the Company or its subsidiaries and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Dong's appointment as an Executive Director.

Mr. ZHOU Qinwei (周勤偉), aged 35, was appointed as our Director on April 25, 2014 and was re-designated as our Executive Director on June 11, 2014. He is also the chief financial officer of our Group. He joined our Group in 2013 and is responsible for financial management of our Group. Mr. Zhou has approximately 13 years of experience in accounting and financial management and control. Prior to joining our Group, he was the group financial controller in Le Gaga Holdings Ltd. (樂嘎嘎控股有限公司), a company which is principally engaged in greenhouse vegetable production from March 2010 to December 2012, where he was primarily responsible for the financial management of the company. He worked at Syngenta (China)

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Investment Co., Ltd. (先正達(中國)投資有限公司), a company which is principally engaged in crop protection business from October 2006 to February 2010 where his last position held was the China financial controller and was primarily responsible for the financial management of the company. He served as a manager in Cap Gemini, a company which is principally engaged in IT services and business consultancy from January 2006 to October 2006, where he was primarily responsible for outsourcing projects' management and operation. Prior to 2006, he served as senior accountant at PricewaterhouseCoopers from July 2001 to January 2006, where he was primarily responsible for audit work and preparing financial statements. Mr. Zhou graduated from Sun Yet-Sen University (中山大學) with a Bachelor's degree of management in July 2001.

Mr. Zhou has no interests in the Shares within the meaning of Part XV of the SFO. Mr. Zhou is independent from and is not related to any Directors, senior management, substantial shareholders or Controlling Shareholder of the Company. Mr. Zhou does not hold any other position with the Company or its subsidiaries and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. There is no other information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Zhou's appointment as an Executive Director.

Non-executive Directors

Mr. PAN Jun (潘軍), aged 43, was appointed as our Director on March 16, 2011 and was re-designated as our Non-executive Director on June 11, 2014. He is also the chairman of our Board. He joined the Fantasia Group in 1999 and is responsible for the overall operation of the Retained Group. He is also currently the president of Fantasia Group (China) Company Limited, the general manager of Shenzhen Fantasia Real Estate Group Limited and the director of a number of the Fantasia Group's subsidiaries. Mr. Pan has over 16 years of experience in the real estate development industry in China and prior to joining the Fantasia Group, Mr. Pan was the project manager, the manager of the marketing department, the manager of the valuation department and the assistant to the general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司), a company which is principally engaged in property agency from March 1994 to September 1999, where he was primarily responsible for marketing and valuation matters. Mr. Pan obtained a Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology (成都科技大學) in July 1992 and holds an Executive Master of Business Administration degree from Tsinghua University. Mr. Pan is also qualified as a land valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Mr. Pan has no interests in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Pan is independent from and is not related to any Directors, senior management, substantial shareholders or Controlling Shareholder of the Company. Save as disclosed above, Mr. Pan has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Pan's appointment as a Non-executive Director.

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Mr. LAM Kam Tong (林錦堂), aged 45, was appointed as our Director on October 30, 2012 and was re-designated as our Non-executive Director on June 11, 2014. Mr. Lam is currently an executive director, chief financial officer and company secretary of Fantasia Holdings. Mr. Lam joined the Fantasia Group in May 2012 and is responsible for investor relations, financial and regulatory related matters of the Retained Group. Prior to joining the Fantasia Group, Mr. Lam was the executive director, chief financial officer and company secretary of China Aoyuan Property Group Limited (中國奧園地產股份有限公司) (stock code: 3883), a company listed on the Main Board of the Stock Exchange, which is principally engaged in property development business in the PRC, from December 2008 to May 2012, where he was primarily responsible for the enforcement of compliance with the relevant laws and regulations, investor relations management, merger and acquisition and overseas financing. Mr. Lam has over 14 years of experience in professional audit and extensive experience in investor relations management, auditing, mergers and acquisitions and overseas financing. He is a member of the Hong Kong Institute of Certified Public Accountant and the Association of Chartered Certified Accountants. Mr. Lam obtained a Bachelor's degree in Business Management from the Chinese University of Hong Kong in July 1991. He was the company secretary and qualified accountant of Greentown China Holdings Limited (綠城中國控股有限公司) (stock code: 3900), a company listed on the Main Board of the Stock Exchange, which is principally engaged in property development business in the PRC from May 2006 to October 2008, where he was primarily responsible for financial management and company secretarial matters. Mr. Lam was an independent non-executive director of Sheng Yuan Holdings Limited (盛源控股有限公司) (stock code: 851), a company listed on the Main Board of the Stock Exchange, which is principally engaged in the provision of financial services in Hong Kong, from November 2010 to March 2014. Mr. Lam is also currently an independent non-executive director of Pegasus Entertainment Holdings Limited (天馬娛樂控股有限公司) (stock code: 8039), a company listed on the Growth Enterprise Market of the Stock Exchange, which is an investment holding company and its subsidiaries are principally engaged in film production, distribution and licensing of film rights.

Mr. Lam has no interests in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Lam is independent from and is not related to any Directors, senior management, substantial shareholders or Controlling Shareholder of the Company. Save as disclosed above, Mr. Lam has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Lam's appointment as a Non-executive Director.

Mr. ZENG Liqing (曾李青), aged 44, was appointed as our Non-executive Director on June 11, 2014. He joined our Group on June 11, 2014. Since October 2008, Mr. Zeng has been the chairman of Taomee Holdings Limited (NYSE: TAOM), a company listed on the New York Stock Exchange. Mr. Zeng has also been the independent director of Shenzhen Aisidi Co., Ltd. (深圳市愛施德股份有限公司) (stock code: 2416), a company listed on the Shenzhen Stock Exchange, since May 2014. Prior to joining our Group, Mr. Zeng was the chief operating officer of Tencent Holdings Limited (騰訊控股有限公司) (Stock Code: 700) from November 1999 to December 2006, a company listed on the Stock Exchange, where he was primarily responsible for business expansion and managing the marketing teams. Mr. Zeng was also one of the five core founders of Tencent Holdings Limited. Since May 2007, he has been the president of Shenzhen Decent Investment Co., Ltd. From October 2009 to May 2013, Mr. Zeng was an Independent Non-executive Director of A8 Digital Music Holdings Limited (A8電媒音樂控股公司) (Stock Code: 800), a company listed on the Stock Exchange. From April 2007 to May 2013, Mr. Zeng was an

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Independent Non-executive Director of Shenzhen Jieshun Science And Technology Industry Co., Ltd. (深圳市捷順科技實業股份有限公司) (Stock Code: 2609), a company listed on the Shenzhen Stock Exchange. Mr. Zeng obtained a Bachelor's degree in computer communication (計算機通信) from Xi'an University of Electronic Technology (西安電子科技大學) in July 1993, an EMBA degree from China Europe International Business School (中歐國際工商學院) in September 2007.

Mr. Zeng has no interests in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Zeng is independent from and is not related to any Directors, senior management, substantial shareholders or Controlling Shareholder of the Company. Save as disclosed above, Mr. Zeng has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Zeng's appointment as a Non-executive Director.

Independent Non-executive Directors

Mr. TAM Chun Hung Anthony (譚振雄), aged 63, Mr. Tam was appointed as our Independent Non-executive Director on June 11, 2014. He has extensive experience in finance and advisory services in Hong Kong and the PRC. Since 2013, Mr. Tam has been a tax partner of Mazars which is principally engaged in accounting and management consulting. Prior to that, he was a partner of Deloitte Touche Tohmatsu from 1989 to 2013 which is principally engaged in accounting and management consulting. He is currently the Deputy Chairman of the Tax Faculty of the Hong Kong Institute of Certified Public Accountants and one of the two program directors of the Advanced Taxation Program of the Hong Kong Institute of Certified Public Accountants. Mr. Tam was also the Assistant Governor and District Treasurer of District 3450 of Rotary International. Mr. Tam obtained a Bachelor's degree in engineering and management from McMaster University in May 1976 and a Master's degree in business administration from the University of Toronto in November 1983. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants of Ontario and a certified tax advisor of the Taxation Institute of Hong Kong.

Mr. Tam has no interests in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Tam is independent from and is not related to any Directors, senior management, substantial shareholders or Controlling Shareholder of the Company. Save as disclosed above, Mr. Tam has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Tam's appointment as an Independent Non-executive Director.

Dr. LIAO Jianwen (廖建文), aged 47, was appointed as our Independent Non-executive Director on June 11, 2014. Dr. Liao has extensive business teaching experience in the United States, Hong Kong and the PRC. He has been an associate dean and professor of managerial practice in strategy and innovation at the Cheung Kong Graduate School of Business (長江商學院) since January 2012. Prior to that, Dr. Liao was an associate professor at the Stuart School of Business in Illinois Institute of Technology from 2006 to 2010. In 2001, Dr. Liao was also a visiting professor at Hong Kong University of Science and Technology. Dr. Liao received a

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Doctoral's degree in business administration from Southern Illinois University at Carbondale (USA) in August 1996, a Master's degree in economics from Renmin University of China (中國人民大學) in February 1991, and a Bachelor's degree in industry engineering from Northeastern University (東北大學) (formerly known as Northeastern Institute of Technology (東北工學院)) in July 1988.

Dr. Liao has no interests in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, Dr. Liao is independent from and is not related to any Directors, senior management, substantial shareholders or Controlling Shareholder of the Company. Save as disclosed above, Dr. Liao has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there any matters which need to be brought to the attention of the Shareholders in connection with Dr. Liao's appointment as an Independent Non-executive Director.

Mr. XU Junda (徐俊達), aged 69, was appointed as our Independent Non-executive Director on June 11, 2014. He has extensive experience in real estate management in the PRC. Since 2001, he has been the executive vice-president and secretary general of the China Property Management Institute (中國物業管理協會), responsible for overseeing day-to-day management and administration of the institute. From June 2010 to May 2013, Mr. Xu was an independent director of AVIC Real Estate Holding Company Limited (中航地產股份有限公司) (stock code: 000043), a company listed on the Shenzhen Stock Exchange, which is principally engaged in the development, sale and management of real estate properties. From 1988 to 2001, he served as the deputy head of the Ministry of Construction and Real Estate Property Management (建設部房地產業司房地產市場管理處), a PRC government authority responsible for legislative and policy development in relation to property management of the government authority. Mr. Xu obtained the qualification as a senior engineer from Senior Professional Technicians Evaluation Committee of the Ministry of Construction (建設部高級專業技術職務綜合評審委員會) in December 1992.

Mr. Xu has no interests in the Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Xu is independent from and is not related to any Directors, senior management, substantial shareholders or Controlling Shareholder of the Company. Save as disclosed above, Mr. Xu has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Xu's appointment as an Independent Non-executive Director.

Each of our Directors has not been involved in any of the events described under Rule 13.51(2) of the Listing Rules. Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

The table below sets forth certain information concerning our other senior management members:

Mr. YE Hui (葉暉), aged 42, is a vice president of our Group. He joined our Group in 2004 and is responsible for the development and management of the planning and marketing department. He served on various positions within our Group, including but not limited to the general manager of Shenzhen Colour Life Network Service and Shenzhen Colour Life Property Management, both of which are indirect wholly owned subsidiaries of our Group. Mr. Ye has over 20 years of experience in engineering and property management. Prior to joining our Group, he worked as the manager and software engineer of software development department in Shenzhen Corad Technology Co., Ltd. (深圳嘉兆科技有限公司), a company which is principally engaged in computer circuit technology business from September 1992 to March 1996, where he was primarily responsible for software development. He was the general manager of Dima Electronics (Shenzhen) Co., Ltd. (迪馬電子(深圳)有限公司), a company which is principally engaged in information system from March 1996 to April 2001, where he was primarily responsible for the development of information systems. Mr. Ye was the partner and general manager of Shenzhen Teamtop Technology Co., Ltd. (深圳市天拓科技有限公司), a company which is principally engaged in mobile game development from April 2001 to March 2004, where he was primarily responsible for the overall operations of the company. Mr. Ye graduated from Zhejiang University (浙江大學) with a Bachelor's degree of industrial electrical automation (工業電氣自動化) in July 1992. Mr. Ye attended business executive development program at Cheung Kong Graduate School of Business (長江商學院) and completed the program in July 2013.

Mr. CHANG Rong (昌榮), aged 38, is a vice president of our Group. He joined our Group in 2002 and is responsible for the operation and management of operation and management center of our Group. He served as the vice president of Shenzhen Colour Life since January 2005. He has about 14 years of experience in property management. Prior to joining our Group, he worked as the project director and assistant manager in China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company which is principally engaged in property development from July 1998 to December 2002, where he was primarily responsible for management of property development projects. Mr. Chang graduated from Tongji University (同濟大學) with a Bachelor's degree of industrial electrical automation (工業電氣自動化) in July 1998. Mr. Chang attended business executive development program at Cheung Kong Graduate School of Business (長江商學院) and completed the program in July 2013.

Mr. GUAN Jiandong (關建東), aged 37, is a vice president of our Group. He joined our Group in 2001 and is responsible for the operation and management of community platform center of our Group. He served on various positions within our Group, including but not limited to, the general manager of Shenzhen Kaiyuan Tongji and Shenzhen Colour Life Network Service, both of which are indirect wholly owned subsidiaries of our Company. He has over 15 years of experience in engineering and property management. Prior to joining our Group, he worked as the head of management office, vice president of electrical and mechanical services department and manager of community network department in China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company which is principally engaged in property management from July 1998 to December 2001, where he was primarily responsible for the management and operation of software and engineering services. Mr. Guan obtained a Bachelor's degree of heating, ventilating and air conditioning (暖通空調) from Huazhong University of Science and Technology (華中理工大學) in June 1998. Mr. Guan attended business executive development program at Cheung Kong Graduate School of Business (長江商學院) and completed the program in July 2013.

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Ms. DING Yang (丁楊), aged 39, is the assistant general manager of the branding department of our Group. Ms. Ding is responsible for overseeing sales and marketing. She joined our Group in 2004. Ms. Ding has almost 10 years of experience in marketing development and branding. From 2004 to 2006, she was the head of marketing department of our Group, responsible for market planning management, market development management and the nationwide expansion of our Group's management service project. Since 2007, she has been the head of the brand center of our Group, responsible for our Group's brand creation and planning, brand maintenance, brand planning and promotion, implementing corporate culture and promoting corporate image. Ms. Ding obtained a diploma from Liaoyuan Normal School (遼源師範學校) in July 1996.

Ms. YU Haihua (于海華), aged 34, is the general manager of human resources department of our Group and is responsible for human resources strategic planning and enforcement. She joined our Group in 2011 and served as the administration manager of chairman office and the assistant to general manager. She has been the general manager of our human resources department since 2012. Ms. Yu has approximately 7 years of experience in human resource management. Prior to joining our Group, Ms. Yu worked as the human resource manager of the greater China region for Shenzhen Quick Printing (Shenzhen) Co., Limited (快速印刷(深圳)有限公司), a company which is principally engaged in financial printing from September 2006 to February 2008. She was the personnel administration manager and the assistant to the chairman of Shenzhen Daxing Automobile Group Co., Ltd. (深圳市大興汽車集團有限公司), a company which is principally engaged in the sale of automobiles from February 2008 to March 2011. Ms. Yu obtained a Diploma in public management from China Central Radio and TV Virtual University (中央廣播電視大學) in March, 2006. Ms. Yu is currently enrolled in the Master of Psychology (applied psychology) program at Sun Yat-Sen University (中山大學).

Mr. CAI Guoqi (蔡國奇), aged 49, is the chief officer of the CEO office of our Group. He joined our Group in 2008 and is responsible for the general operation and management of the CEO office. Mr. Cai has over 10 years of experience in corporate management. Prior to joining our Group, he was the deputy manager and the secretary of Zhuzhou Pharmaceutical Processing Factory (株洲選礦藥劑廠), a company which is principally engaged in manpower services from 1999 to 2001 and the chief officer of Zhuzhou Torch Industrial Furnace Co, Ltd (株洲火炬工業爐責任有限公司), a company which is principally engaged in research and development, design, manufacture and installation of energy-saving services for nonferrous metallurgy equipment from July 2005 to August 2008. Mr. Cai graduated from Central South University (中南大學) with a Bachelor's degree in management accounting in July 1987. He obtained a mid-level qualification certificate in the specialty of industrial economist in November 1998.

COMPANY SECRETARY

Ms. CHENG Pik Yuk (鄭碧玉), aged 56, was appointed as company secretary of our Company on June 11, 2014. She is a corporate services director of Tricor Services Limited ("Tricor"), providing corporate secretarial services to client companies. She worked in the company secretarial department of Deloitte Touche Tohmatsu Hong Kong from July 1988 to September 2000 and was the senior manager as well as the departmental manager prior to joining Tricor. Ms. Cheng has worked in the company secretarial departments of a number of international accounting firms and has over 30 years of experience in the company secretarial field. She has been providing corporate secretarial support services to listed companies and multi-national groups. Ms. Cheng graduated from The Hong Kong Polytechnic in 1980 and is a fellow of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries ("HKICS"), and is a holder of the Practitioner's Endorsement of the HKICS.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD COMMITTEE

Audit Committee

We have established an audit committee on June 11, 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of three Independent Non-executive Directors, Mr. Tam Chun Hung, Anthony (譚振雄) (being the chairman of the audit committee who possess the professional qualification in accountancy), Dr. Liao Jianwen (廖建文) and Mr. Xu Junda (徐俊達). The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on June 11, 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of four members, one of whom is an Executive Director being Mr. Tang Xuebin (唐學斌), and three of whom are Independent Non-executive Directors, being Dr. Liao Jianwen (廖建文), Mr. Tam Chun Hung, Anthony (譚振雄) and Mr. Xu Junda (徐俊達). The remuneration committee is chaired by Dr. Liao Jianwen (廖建文), an Independent Non-executive Director. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on June 11, 2014 with written terms of reference. The nomination committee consists of five members, namely Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Mr. Tam Chun Hung Anthony (譚振雄), Dr. Liao Jianwei (廖建文) and Mr. Xu Junda (徐俊達). Three of the members are our Independent Non-executive Directors. The chairman of the nomination committee is Mr. Pan Jun (潘軍). The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Executive Directors receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our Directors in 2011, 2012 and 2013, was RMB684,000, RMB745,000 and RMB1,304,000, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by our Group to our five highest paid individuals included two Directors in 2011, 2012 and three Directors in 2013. The remuneration of the remaining three individuals in 2011, 2012 and remaining two individuals in 2013, was RMB864,000, RMB920,000 and RMB1,305,000, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. Further, none of our Directors waived any remuneration during the same period.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending December 31, 2014 is estimated to be no more than RMB2,002,000.

EMPLOYEES REMUNERATION

In 2011, 2012 and 2013, we incurred staff costs (including our Directors) of approximately RMB44,377,000, RMB62,542,000 and RMB71,489,000, respectively, representing 30.3%, 31.8% and 30.7% of our revenue during those periods.

As required by PRC regulations as well as compulsory rules of the PRC local governments, we participate in various social welfare schemes including pension, medical, maternity, work-related injury insurances, unemployment insurance and housing provident fund contributions. We are required under PRC law to make contributions to these schemes based on certain percentages of the salaries, bonuses and certain allowances of our employees in accordance with the respective regulatory requirement, up to a minimum amount specified by the relevant local governments from time to time, except as disclosed in the section entitled “Business — Legal Proceedings and Compliance — Non-compliance Record.”

The total amount of contributions we made for such employee pension schemes in 2011, 2012 and 2013, was RMB2,777,000, RMB5,879,000 and RMB5,943,000, respectively.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to the section entitled “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

The following is a description of the authorized and issued Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering and the Capitalization Issue:

Authorized share capital:

<u>50,000,000,000</u>	Shares of HK\$0.10 each	<u>HK\$ 5,000,000,000</u>
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Issued and to be issued, fully paid or credited as fully paid:

		<u>HK\$</u>
2,083,512	Shares in issue as of the date of this prospectus	208,351.20
747,916,488	Shares to be issued pursuant to the Capitalization Issue	74,791,648.80
225,000,000	Shares to be issued under the International Offering (subject to adjustment)	22,500,000
25,000,000	Shares to be issued under the Hong Kong Public Offering (subject to adjustment)	2,500,000
<u>1,000,000,000</u>	Total	<u>100,000,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalization Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will rank pari passu in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (1) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (2) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

SHARE CAPITAL

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting;
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section entitled "Statutory and General Information — A. Further Information About Our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on June 11, 2014" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section entitled "Statutory and General Information — A. Further Information About Our Group — 6. Repurchases of Our Shares" in Appendix IV to this prospectus.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting;
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section entitled "Statutory and General Information — A. Further Information About Our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on June 11, 2014" in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders' special resolution. For more details, please see the section headed "Summary of the Constitution of the Company and Cayman Company Law — 2. Articles of Association — (c) Alteration of capital" in Appendix III to this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated June 11, 2014, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the section entitled "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and the Capitalization Issue taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the Capitalization Issue and the Global Offering ^(Note 1)		Shares held immediately following the completion of the Capitalization Issue and the Global Offering ^(Note 1)	
		Number	Percentage (approx.)	Number	Percentage (approx.)
Fantasia Holdings	Beneficial interests (Note 2)	1,400,000(L)	67.19%	503,956,781(L)	50.40%
Fantasy Pearl	Interest of controlled corporation (Note 3)	1,400,000(L)	67.19%	503,956,781(L)	50.40%
Ice Apex	Interest of controlled corporation (Note 4)	1,400,000(L)	67.19%	503,956,781(L)	50.40%
Ms. Zeng Jie, Baby (曾寶寶)	Interest of controlled corporation (Note 4)	1,400,000(L)	67.19%	503,956,781(L)	50.40%
Splendid Fortune	Beneficial interests (Note 5)	600,000(L)	28.20%	215,981,477(L)	21.60%
Colour Success	Interest of controlled corporation (Note 5)	600,000(L)	28.20%	215,981,477(L)	21.60%
Mr. Tang Xuebin (唐學斌)	Interest of controlled corporation (Note 5)	600,000(L)	28.20%	215,981,477(L)	21.60%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Fantasia Holdings is owned as to 57.16% by Fantasy Pearl, 15.00% by TCL(HK) and 27.84% by the public.
- (3) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the Shares held by and short position of Fantasy Pearl for the purpose of Part XV of the SFO.
- (4) Ice Apex is wholly owned by Ms. Zeng Jie, Baby (曾寶寶). Ms. Zeng is deemed to be interested in the Shares held by Ice Apex for the purpose of Part XV of the SFO.
- (5) Splendid Fortune is wholly-owned by Colour Success, which is in turn owned as to 43.34% by Mr. Tang Xuebin (唐學斌), 13.33% by Mr. Dong Dong (董東), 13.33% by Mr. Ye Hui (葉暉), 13.33% by Mr. Guan Jiandong (關建東), 13.33% by Mr. Chang Rong (昌榮) and 3.34% by Mr. Wang Xuliang (王旭良), respectively.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, the Directors are not aware of any person (other than members of the Group) who will, immediately following the completion of the Global Offering and the Capitalization Issue and assuming no shares are issued pursuant to the Share Option Schemes, have a beneficial interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

THE CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement with the following investor (the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to purchase at the Offer Price such number of Offer Shares as may be purchased with US\$10.0 million (rounded down to the nearest whole board lot, excluding applicable brokerage fee, SFC transaction levy and Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$3.30 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investor would be 23,496,000 Shares, representing approximately 2.35% of Shares in issue upon the completion of the Global Offering.

Assuming an Offer Price of HK\$3.95 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investor would be 19,630,000, representing approximately 1.96% of Shares in issue upon the completion of the Global Offering.

Assuming an Offer Price of HK\$4.60 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investor would be 16,856,000, representing approximately 1.69% of Shares in issue upon the completion of the Global Offering.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party, not our connected person, and not an existing Shareholder of our Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around June 27, 2014.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than and pursuant to the cornerstone investment agreement). Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become a substantial shareholder of our Company (as defined under the Listing Rules).

The Offer Shares to be subscribed for by the Cornerstone Investor might be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation.”

CORNERSTONE INVESTOR

We have entered into a cornerstone investment agreement with the following Cornerstone Investor in respect of the Cornerstone Placing. The information about the background of our Cornerstone Investor set forth below has been provided by the respective Cornerstone Investor:

Qihoo 360 Technology Co. Ltd. (“Qihoo 360”) was incorporated in the Cayman Islands as an exempted limited liability company in 2005. Qihoo 360 is a leading Internet company in China. It is also the number one provider of Internet and mobile security products in China as measured

THE CORNERSTONE INVESTOR

by its user base, according to iResearch Consulting Group. Qihoo 360 also provides users with secure access points to the Internet via its market leading web browsers and application stores. It has built one of the largest open Internet platforms in China and monetizes its massive user base primarily through online advertising and through Internet value-added services on its open platform. Qihoo 360 is listed on the New York Stock Exchange (Stock Code: QIHU).

Conditions Precedent

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto); and
- (ii) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the Shares and that such approval or permission has not been revoked.

Restrictions on the Cornerstone Investor

The Cornerstone Investor has agreed that, without the prior written consent of our Company and the relevant underwriter(s), it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares or any interest in any company or entity holding any of the relevant Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor, provided that, among others, such wholly-owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will, be bound by the obligations imposed on the Cornerstone Investor.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

	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

FINANCIAL INFORMATION

	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

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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.

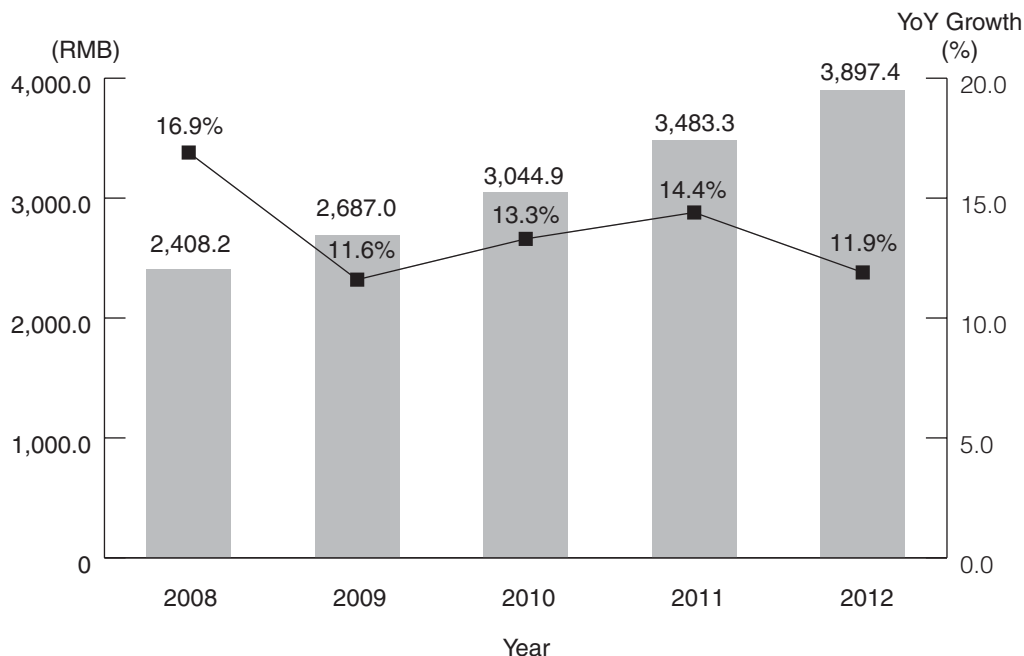
Ability to Mitigate the Impact of Rising Labor Cost

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.

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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

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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.”

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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.

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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.

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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.

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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

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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

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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.

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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

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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 our 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

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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)

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	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.

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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

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	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.”

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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

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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.

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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	<u>77,319</u>	<u>100.0</u>	<u>102,342</u>	<u>100.0</u>	<u>89,422</u>	<u>100.0</u>

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)

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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

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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 relevantly 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.

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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.

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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

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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.

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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% from RMB18.5 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.

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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.

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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 (越眾物業管理有限公司), 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. (深圳市越眾(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.

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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

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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 (國稅發[2008]28 : 國家稅務總局關於印發《跨地區經營匯總納稅企業所得稅徵收管理暫行辦法》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 (《國家稅務總局關於印發《跨地區經營匯總納稅企業所得稅徵收管理辦法》的公告》(國家稅務總局公告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稅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 deductible 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.

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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)

FINANCIAL INFORMATION

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.

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- *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.

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- *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.

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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.

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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.

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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.

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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.

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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.

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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
	2011	2012	2013	April 30, 2014
	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

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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

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Classified as:	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
— 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.

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- (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.

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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

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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.

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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 Caizhijia, 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

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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.

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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.

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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.”

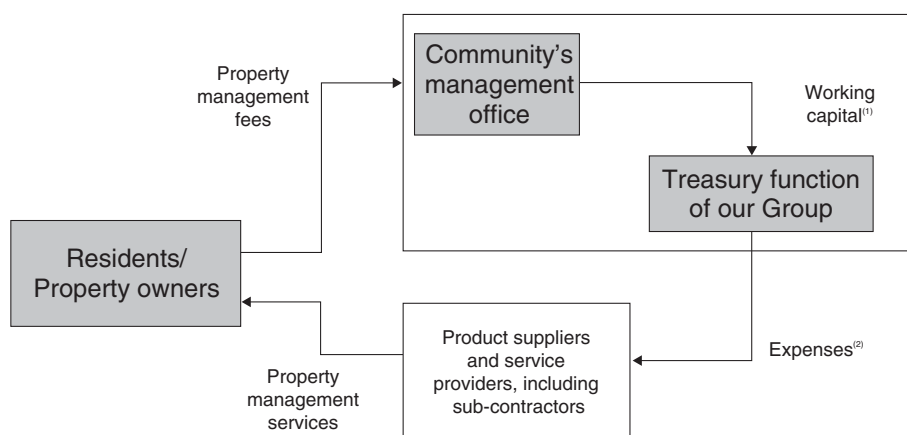
As of April 30, 2014, all payments on behalf of residents under lump sum basis as of December 31, 2011 and 2012 had been settled, and 75.9% of payments on behalf of residents under lump sum basis as of December 31, 2013 had been settled. We do not believe that we will encounter material issues due to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

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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

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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	

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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.

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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

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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.

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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 (<i>RMB'000</i>)	19,702	46,089	43,966
<i>Number of communities managed on a commission basis with net balance of payments on behalf of residents⁽¹⁾</i>	<i>177</i>	<i>149</i>	<i>187</i>
Receipts on behalf of residents (<i>RMB'000</i>)	(30,607)	(77,700)	(96,804)
<i>Number of communities managed on a commission basis with balance of receipts on behalf of residents⁽¹⁾</i>	<i>50</i>	<i>70</i>	<i>200</i>

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.

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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)
<i>From January 1, 2012 to December 31, 2012:</i>		
<i>Debit</i>	328,869	70,557
<i>Credit</i>	(300,089)	(117,650)
Gross balance as of December 31, 2012	52,728	(77,700)
<i>From January 1, 2013 to December 31, 2013:</i>		
<i>Debit</i>	284,488	178,780
<i>Credit</i>	(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.

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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	<ul style="list-style-type: none"> • Cash payments are deposited into the bank accounts opened on behalf of the management offices • 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: <ul style="list-style-type: none"> • “bank/cash” debit entry⁽¹⁾; and • “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	<ul style="list-style-type: none"> • If bank accounts are linked to our Group’s central bank account, transfers are done automatically on a daily basis • 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 • Transferred cash (minus our commission) is recorded as working capital for communities • 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: <ul style="list-style-type: none"> • “amount due from Colour Life” debit entry; and • “bank/cash” credit entry 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: <ul style="list-style-type: none"> • “expenses — commission payable to Colour Life” debit entry; and • “amount due to Colour Life” credit entry 	Cash transferred to the Group’s central bank account is recorded in: <ul style="list-style-type: none"> • “bank/cash” debit entry; and • “amount due to community” credit entry Our pre-determined percentage of property management commission revenue (10% under a typical contract) is recorded in: <ul style="list-style-type: none"> • “amount due from community” debit entry; and • “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.

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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
<p>Payments we make to product suppliers and service providers, including sub-contractors on behalf of the communities</p>	<ul style="list-style-type: none"> • Payments are made directly out of our Group's central bank account • The amount paid is subtracted from the working capital of the respective communities • 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 • 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 	<p>Operational costs and expenses paid by our Group on behalf of the communities are recorded in:</p> <ul style="list-style-type: none"> • "cost/expenses" debit entry; and • "amount due to Colour Life" credit entry 	<p>Operational costs and expenses paid by our Group on behalf of the communities are recorded in:</p> <ul style="list-style-type: none"> • "amount due from community" debit entry; and • "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.

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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

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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

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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.

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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						Total
	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	
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.

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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						Total
	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	
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.

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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

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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.

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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

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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.

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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 to use 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

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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.

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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."

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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

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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.

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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

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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

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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:

Financial metric	Formula	As of and for the year ended December 31,		
		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

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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.

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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%

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 automation 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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 respect 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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

	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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

	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.

FINANCIAL INFORMATION

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.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section entitled “Business — Our Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds of the Global Offering we expect to receive (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering) are estimated to be approximately HK\$731.7 million, assuming an Offer Price of HK\$3.30 per Share, or HK\$1,046.9 million, assuming an Offer Price of HK\$4.60 per Share.

Assuming an Offer Price of HK\$3.95 per Offer Share, being the mid-point of the stated Offer Price range of HK\$3.30 to HK\$4.60 per Offer Share, the net proceeds of the Global Offering would be approximately HK\$889.3 million. We intend to use the net proceeds to us from the Global Offering as follows:

- approximately 60% of net proceeds to us (approximately HK\$533.6 million) for acquisition of regional property management companies. Please see the section entitled “Business — Our Property Management Services — Selection Process of Target Communities for Expanding our Property Management Services — External acquisitions of property management companies.” As of the Latest Practicable Date, we had not identified any particular acquisition target;
- approximately 20% of net proceeds to us (approximately HK\$177.9 million) to purchase hardware equipment used for upgrading the communities under our engineering services business segment. Please see the section entitled “Business — Our Engineering Services — Equipment Leasing”;
- approximately 10% of net proceeds to us (approximately HK\$88.9 million) to fund the sales and marketing activities and investment of information technology software to further develop our community leasing, sales and other services platform. Please see the section entitled “Business — Research and Development”; and
- approximately 10% of net proceeds to us (approximately HK\$88.9 million) for working capital and general corporate purposes.

If the Offer Price is finally determined not at the midpoint of the stated Offer Price, the net proceeds from the Global Offering for each use set out above will be increased or reduced, as the case may be, on a pro-rata basis.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers

Merrill Lynch Far East Limited
Guotai Junan Securities (Hong Kong) Limited
China Merchants Securities (HK) Co., Limited
First Shanghai Securities Limited

Co-Managers

China Everbright Securities (HK) Limited
Great Roc Capital Securities Limited
Yuanta Securities (Hong Kong) Company Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 25,000,000 Hong Kong Offer Shares and the International Offering of initially 225,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section entitled "Structure of the Global Offering."

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Underwriters) and the Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

If, at any time prior to 8:00 a.m. on the Force Majeure Expiry Date:

- (a) there has been a breach of any of the warranties or there has been a breach by the Company or Fantasia Holdings of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, result in a material misstatement in, or constitute a material omission from, any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement), this prospectus, the Application Forms and/or in any announcements and notices issued by the Company in connection with the Hong Kong Public Offering and the Preferential Offering (including any supplement or amendment respectively thereto); or
- (c) any statement contained in any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement), this prospectus, the Application Forms, the Formal Notice and/or in any announcements and notices issued by the Company in connection with the Hong Kong Public Offering and the Preferential Offering (including any supplement or amendment respectively thereto) was, when it was issued, or has become, untrue, incorrect in material respect or misleading in any respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any announcements, issued by the Company in connection with the Hong Kong Public Offering and the Preferential Offering (including any supplement or amendment respectively thereto) is not fair, honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
- (d) there shall have occurred any event, act or omission which gives or is likely to give rise to any material liability of any of the Company or the Controlling Shareholder pursuant to the indemnities under the Hong Kong Underwriting Agreement; or
- (e) there shall have been any material adverse change or development involving a prospective material adverse change in the assets, liabilities, conditions, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, condition or position, financial or otherwise, or performance, of the Group as a whole; or
- (f) the Company withdraws this prospectus (and/or any other documents used in connection with the offering and subscription of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or
- (g) any non-compliance of the prospectus (or any other documents used in connection with the contemplated offering, allotment, issue or subscription of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law which is material in the context of the Global Offering;
- (h) there is an order or petition for the winding up of any member of the Group with substantive business operations or any composition or arrangement made by any such member of the Group with its creditors or a scheme of arrangement entered into by any such member of the Group or any resolution for the winding up of any such member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any such member of the Group or anything analogous thereto occurring in respect of any such member of the Group; or

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- (i) any Director (other than Independent Non-Executive Director) being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (j) any authority or political body or organisation in any relevant jurisdiction commencing any actions, suits, claims (whether or not any such claim involves or results in any actions or proceedings), demands, investigations, judgment, awards and proceedings, joint or several, from time to time instituted, made or brought or threatened or alleged to be instituted, made or brought against or otherwise involve (together the “**Actions**”), or announcing an intention to take any Action, against any Director; or
- (k) any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (l) the chairman or chief executive officer of the Company or any executive Director vacating his office; or
- (m) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of options that are granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (n) any expert named in this prospectus having withdrawn its consent to the issue of or inclusion of their name in this prospectus; or
- (o) other than with the approval of the Joint Global Coordinators, the Company is required to produce or issue a supplement or amendment to the Prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (p) there shall have developed, occurred, happened or come into effect any event or series of events, matters or circumstances concerning or relating to:
 - (i) any change or development involving a prospective change, or any event or series of events likely to result in any change in, local, national or international financial, political, economic, military, industrial, fiscal, regulatory, currency, credit or market conditions or equity securities or stock or other financial market conditions or any monetary or trading settlement system (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the Cayman Islands, the US, the United Kingdom, Japan, the PRC, Singapore, any member of the European Union (each a “**Relevant Jurisdiction**”); or
 - (ii) any new law or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

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- (iii) any change or development involving a prospective change in, or any event or series of events likely to result in, or the materialisation of any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (iv) any event or series of events, in the nature of force majeure affecting any Relevant Jurisdiction including, without limiting the generality thereof, any act of God, war, outbreak or escalation of hostilities (whether or not war is declared) or act of terrorism, or declaration of a national or international emergency or war, riot, public disorder, civil commotion, volcanic eruptions, earthquake, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, strike, lock-out (whether or not covered by insurance), accident or interruption or delay in transportation; or
- (v) the imposition of any moratorium, suspension, disruption or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange or the Tokyo Stock Exchange or any suspension of trading of any of the securities of the Company on any exchange or over-the-counter market or any major disruption of any securities settlement or clearing services in any Relevant Jurisdiction or on commercial banking activities, foreign exchange, trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction, due to exceptional financial circumstances or otherwise; or
- (vi) a change or development involving a prospective change in taxation, exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar, the Euro, the Japanese yen, the Renminbi, the United States dollar or the British pound sterling against any foreign currencies and any disruptions in monetary, trading or securities settlement or clearance services, procedures or matters) in or affecting any Relevant Jurisdiction; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly by, or for any of the Relevant Jurisdictions (or member thereof) on the PRC; or
- (viii) any Action of any third party being threatened or instigated against any Group Company; or
- (ix) any litigation or claim of any third party being threatened or instigated against any member of the Group;
- (x) any contravention by any member of the Group of the Listing Rules or any applicable laws,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- A. is or will be, or is likely to result in a material adverse change; or
- B. has or will have or is likely to have a material adverse impact on the success of the Global Offering or the level of Offer Shares applied for or accepted or subscribed for or purchased or the distribution of the Offer Shares or dealings in the Shares in the secondary market; or

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- C. makes it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Preferential Offering and/or the International Offering and/or the Cornerstone Placing on the terms and in the manner contemplated in the Offer Documents (as defined in the Hong Kong Underwriting Agreement); or
- D. has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof,

then the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute discretion, may, upon giving notice to the Company on or prior to 8:00 a.m. on the Force Majeure Expiry Date, terminate this Agreement with immediate effect.

Undertakings

By the Company

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering, pursuant to the exercise of any options that may be granted under the Share Option Scheme or in certain circumstances as prescribed under Rule 10.08 of the Listing Rules.

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that we will, except pursuant to the Reorganization and the Global Offering and the options that may be granted under the Share Option Scheme, not without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the “**First Six-Month Period**”):
 - (I) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly (through a chain of companies or otherwise), conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares of the Company), or deposit any Shares or any other equity securities of the Company with a depositary in connection with the issue of depositary receipts; or

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- (II) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares of the Company); or
- (III) enter into any transaction with the same economic effect as any transaction described in paragraphs (I) or (II) above; or
- (IV) offer to or agree to, or announce any intention to enter into, any transaction described in paragraphs (I), (II) or (III) above,

whether any such transaction described in paragraphs (I) or (II) or (III) above is to be settled by delivery of Shares or such other equity securities of the Company, as applicable, or in cash or otherwise (whether or not the allotment or issue of Shares or such other securities of the Company, as applicable, will be completed within the First Six-Month Period); and

- (b) enter into any of the foregoing transactions in paragraphs (a)(I), (II) and (III) above, or offer to or agree to or announce any intention to enter into any such transaction, such that Fantasia Holdings would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company during the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”); and
- (c) in the event that, at any time during the Second Six-Month Period, the Company enters into any of the transactions specified in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company. Fantasia Holdings has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters and each of them to procure the Company to comply with the above undertakings.

By each of our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders namely Fantasia Holdings, Fantasy Pearl, Ice Apex and Ms. Zeng Jie, Baby is subject to certain restrictions in respect of, and has given certain undertakings to the Hong Kong Stock Exchange and our Company with respect to, the disposal of Shares of which it is the beneficial owner. See “Underwriting — Underwriting Arrangements and Expenses — Undertakings.”

Fantasia Holdings has, pursuant to the Hong Kong Underwriting Agreement, agreed and undertaken to the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and each of them that without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) during the First Six-Month Period:
 - (I) it will not sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise

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transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of the Company) held by it as of the date of the Hong Kong Underwriting Agreement; or

- (II) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (III) enter into any transaction with the same economic effect as any transaction described in (I) or (II) above; or
- (IV) offer to or agree to, or announce any intention to enter into, any transaction described in (I) or (II) or (III) above,

whether any such transaction described in (I) or (II) or (III) above is to be settled by delivery of such capital or securities, in cash or otherwise (whether or not such transaction will be completed within the First Six-Month Period); and

- (b) during the Second Six-Month Period, it will not enter into any of the foregoing transactions in paragraphs (a)(I) or (II) or (III) above or offer to or agree to or announce any intention to enter into any such transactions if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, Fantasia Holdings will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the foregoing transactions in paragraphs (a)(I) or (II) or (III) above or offers to or agrees to, or announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of the Company.

Subject to the above undertakings, Fantasia Holdings has agreed and undertaken to the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, if at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve months from the Listing Date, it shall (i) if and when it pledges or charges any securities or interests in the securities of the Company beneficially owned by it, immediately inform the Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) in writing of such pledge or charge together with the number of securities so pledged or charged; and (ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be disposed of, immediately inform the Company and the Joint Global Coordinators in writing of such indications. The Company has agreed and undertaken that upon receiving such information in writing from the Controlling Shareholder, it shall, as soon as practicable, notify the Stock Exchange and make a public disclosure in relation to such information by way of announcement.

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Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' interests in the Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in the Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters would severally agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commissions and Expenses and Joint Sponsors' Fee

We will pay the Hong Kong Underwriters a commission of 3% of the aggregate Offer Price in respect of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Global Coordinators and the relevant International Underwriters. In addition, we may at our sole discretion pay an incentive fee of such amount determined by us in our sole discretion to any or all of the Joint Bookrunners.

The aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK\$98.2 million (assuming an Offer Price of HK\$3.95 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and the full payment of the discretionary incentive fee), are payable and borne by the Company.

An aggregate amount of approximately HK\$19.1 million is payable by the Company as Sponsor fees to the Joint Sponsors.

INDEPENDENCE OF THE JOINT SPONSORS

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 25,000,000 Shares (subject to adjustment as described below) for subscription by the public in Hong Kong as described in the section entitled “— The Hong Kong Public Offering” below; and
- (b) the International Offering of an aggregate of 225,000,000 Shares (subject to adjustment) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Of the 225,000,000 Offer Shares initially being offered under the International Offering, 25,000,000 Offer Shares are available for subscription by Qualifying Fantasia Shareholders under the Preferential Offering as Assured Entitlement.

Merrill Lynch International and Guotai Junan Securities are the Joint Global Coordinators of the Global Offering.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

Directors and/or their associates, who are Qualifying Fantasia Shareholders, may apply for Reserved Shares under the Preferential Offering but may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering.

Qualifying Fantasia Shareholders may make an application for Reserved Shares either through the **Blue Form eIPO** service via www.eipo.com.hk on a **BLUE** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or an indicate an interest for International Offer Shares under the International Offering (other than an application to subscribe for Reserved Shares under the Preferential Offering).

The Offer Shares will represent 25.0% of the issued share capital of the Company immediately following the completion of the Global Offering, without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 25,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering will represent 2.5% of the enlarged share capital of the Company immediately following the completion of the Global Offering (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section entitled “— Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 12,500,000 and 12,500,000, respectively. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 12,500,000 Hong Kong Offer Shares (being 50% of the 25,000,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 25,000,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 75,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 100,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 125,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate. If the International Offering is not fully subscribed, the Joint Global Coordinators, may decide in their absolute discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

The Preferential Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering (except in respect of Reserved Shares applied for under the Preferential Offering), and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$4.60 per Offer Share plus brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section entitled “— Pricing and Allocation” below, is less than the maximum price of HK\$4.60 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled “How to Apply for Hong Kong Offer Shares and Reserved Shares.”

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable Fantasia Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and the Global Offering becoming unconditional, Qualifying Fantasia Shareholders are being invited to apply for an aggregate of 25,000,000 Reserved Shares in the Preferential Offering, representing approximately 11.1% and 10.0% of the Offer Shares available under the International Offering and the Global Offering, respectively (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme) as Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in the section entitled “— The Hong Kong Public Offering — Reallocation” above.

The basis of the Assured Entitlement is one Reserved Share for every integral multiple of 230 Fantasia Shares held by Qualifying Fantasia Shareholders as at 4:30 p.m. on the Record Date.

Qualifying Fantasia Shareholders should note that Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 1,000 Shares. Further, the Reserved Shares allocated to the Qualifying Fantasia Shareholders will be rounded down to the closest whole number if required, and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

STRUCTURE OF THE GLOBAL OFFERING

Assured Entitlement of Qualifying Fantasia Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

Basis of Allocation for Applications for Reserved Shares

Qualifying Fantasia Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement under the Preferential Offering. A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Fantasia Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms or the **Blue Form eIPO** service via www.eipo.com.hk and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Fantasia Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Fantasia Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions mentioned above and set forth on the **BLUE** Application Forms) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares (as defined below) resulting from other Qualifying Fantasia Shareholders declining to take up some or all of their Assured Entitlement by way of allocation by the Joint Global Coordinators on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares, and thereafter at the discretion of the Joint Global Coordinators, to other investors in the International Offering.

Qualifying Fantasia Shareholders who intend to apply for excess Reserved Shares must apply for a number which is one of the numbers set out in the table of numbers in the **BLUE** Application Form and make a payment of the corresponding amount.

To the extent that the excess applications for the Reserved Shares are:

- (a) less than the Reserved Shares not taken up by the Qualifying Fantasia Shareholders' Assured Entitlement (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;
- (b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be re-allocated, at the discretion of the Joint Global Coordinators, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Beneficial Fantasia Shareholders whose Fantasia Shares are held by a nominee company should note that the Company will regard the nominee company as a single Fantasia Shareholder according to the register of members of Fantasia Holdings. Accordingly, such beneficial Fantasia Shareholders whose Fantasia Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually.

Applications by Qualifying Fantasia Shareholders for Hong Kong Offer Shares

In addition to any application for Reserved Shares made either through the **Blue Form eIPO** service via www.eipo.com.hk or on a **BLUE** Application Form, Qualifying Fantasia Shareholders will be entitled to make one application for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or through **the White Form eIPO** service. Qualifying Fantasia Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Distribution of this Prospectus and the BLUE Application Forms

A **BLUE** Application Form has been despatched to each Qualifying Fantasia Shareholder. In addition, Qualifying Fantasia Shareholders will receive a copy of this prospectus in the manner in which they have elected to receive corporate communications under Fantasia Holdings' corporate communications policy.

If a Qualifying Fantasia Shareholder has elected to receive corporate communications from Fantasia Holdings in printed form, or has not been asked to elect the means of receiving Fantasia's corporate communications, a printed copy of this prospectus in the elected language version(s) will be despatched to such Qualifying Fantasia Shareholder.

If a Qualifying Fantasia Shareholder has (a) elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from Fantasia Holdings. An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company and the Stock Exchange at www.colourlife.hk and www.hkexnews.hk, respectively.

A Qualifying Fantasia Shareholder who has elected to receive or is deemed to have consented to receiving the electronic form of this prospectus may at any time request for a printed copy of this prospectus by sending a request in writing to the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or by email to fantasia.ecom@computershare.com.hk. The Hong Kong Share Registrar will promptly upon request send by ordinary post a printed copy of this prospectus to such Qualifying Fantasia Shareholder, free of charge, although such Qualifying Fantasia Shareholder may not receive such printed copy of this prospectus before the close of the Hong Kong Public Offering.

Qualifying Fantasia Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of those Hong Kong Underwriters as set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares."

STRUCTURE OF THE GLOBAL OFFERING

Distribution of this prospectus and/or the **BLUE** Application Form(s) into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Form(s) come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction.

Receipt of this prospectus and/or the **BLUE** Application Form(s) does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Form(s) must be treated as sent for information only and should not be copied or redistributed.

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in “How to Apply for Hong Kong Offer Shares and Reserved Shares — B. Applications for Reserved Shares” and on the **BLUE** Application Forms.

The documents to be issued in connection with the Hong Kong Public Offering and the Preferential Offering will not be registered or filed under applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. No action has been taken to permit an offering of the Hong Kong Offer Shares and the Reserved Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an initial offering of 225,000,000 Offer Shares, representing 90% of the total number of Offer Shares available under the Global Offering. The Reserved Shares being offered pursuant to the Preferential Offering are being offered out of the International Offer Shares.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance in Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section entitled “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

STRUCTURE OF THE GLOBAL OFFERING

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the section entitled “— The Hong Kong Public Offering — Reallocation” above and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Friday, June 20, 2014 and in any event no later than Thursday, June 26, 2014.

The Offer Price will not be more than HK\$4.60 per Offer Share and is expected to be not less than HK\$3.30 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (www.colourlife.hk) and the website of the Stock Exchange (www.hkexnews.hk) notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Company and the Joint Global Coordinators (on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this

STRUCTURE OF THE GLOBAL OFFERING

prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between the Company and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedures to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators. The Preferential Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Friday, June 27, 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (www.colourlife.hk) and the website of the Stock Exchange (www.hkexnews.hk).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section entitled "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering and the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date;

STRUCTURE OF THE GLOBAL OFFERING

- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Thursday, June 26, 2014, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.colourlife.hk on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in the section entitled “How to Apply for Hong Kong Offer Shares and Reserved Shares”. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms at any time prior to 8:00 a.m. on the Listing Date).

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering and the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.

No part of the Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

STRUCTURE OF THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR CCASS

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

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, June 30, 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, June 30, 2014.

The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares is 1778.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering (except the Directors and/or their associates who are Qualifying Fantasia Shareholders who may apply for Reserved Shares pursuant to the Preferential Offering); and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering (other than pursuant to the Preferential Offering).

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 17, 2014 until 12:00 noon on Friday, June 20, 2014 from:

- (1) the following address of the following Hong Kong Underwriters:

Merrill Lynch Far East Limited	55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Guotai Junan Securities (Hong Kong) Limited	27th Floor Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square Central Hong Kong
First Shanghai Securities Limited	19/F, Wing On House 71 Des Voeux Road Central Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

(2) or any of the following branches of Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island . . .	Bank of China Tower Branch	3/F, 1 Garden Road
	Sheung Wan Branch	252 Des Voeux Road Central
	King's Road Branch	131-133 King's Road, North Point
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	Hung Hom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hung Hom
	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung
New Territories	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 17, 2014 until 12:00 noon on Friday, June 20, 2014 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Colour Life Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, June 17, 2014 — 9:00 a.m. to 5:00 p.m.
- Wednesday, June 18, 2014 — 9:00 a.m. to 5:00 p.m.
- Thursday, June 19, 2014 — 9:00 a.m. to 5:00 p.m.
- Friday, June 20, 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, June 20, 2014, the last application day or such later time as described in "F. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply for Hong Kong Offer Shares" above, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the White Form eIPO Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, June 17, 2014 until 11:30 a.m. on Friday, June 20, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, June 20, 2014 or such later time under the “F. Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means (except where you are applied as or for a Qualifying Fantasia Shareholder under the Preferential Offering), all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Colour Life Services Group Co., Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering (except in respect of Reserved Shares applied for under the Preferential Offering);
 - declare that only one set of electronic application instructions has been given for your benefit;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

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- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, June 17, 2014 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, June 18, 2014 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, June 19, 2014 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, June 20, 2014 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, June 17, 2014 until 12:00 noon on Friday, June 20, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, June 20, 2014, the last application day or such later time as described in “F. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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6. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying Fantasia Shareholder applying for Reserved Shares under the Preferential Offering either through the **Blue Form eIPO** service via www.eipo.com.hk or on a **BLUE** Application Form, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the designated website at www.eipo.com.hk. However, in respect of any application for Hong Kong Offer Shares using the abovementioned methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in “Structure of the Global Offering — The Preferential Offering.” If you submit applications both through the **Blue Form eIPO** service and by using a **BLUE** Application Form, only the application submitted via **Blue Form eIPO** will be accepted and the other will be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions) (other than any application made in respect of the Preferential Offering in your capacity as a Qualifying Fantasia Shareholder). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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B. APPLICATIONS FOR RESERVED SHARES

1. WHO CAN APPLY FOR RESERVED SHARES

Only Fantasia Shareholders whose names appeared on the register of members of Fantasia Holdings at 4:30 p.m. on the Record Date, and who are Qualifying Fantasia Shareholders, are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Qualifying Fantasia Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every integral multiple of 230 Fantasia Shares held by them as at 4:30 p.m. on the Record Date. Any Qualifying Fantasia Shareholder holding less than 230 Fantasia Shares as at 4:30 p.m. on the Record Date will not be entitled to apply for Reserved Shares but will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the **BLUE** Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

2. CHANNEL FOR APPLYING FOR THE RESERVED SHARES

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying Fantasia Shareholders either through the **Blue Form eIPO** service via www.eipo.com.hk or using **BLUE** Application Forms which have been despatched to Qualifying Fantasia Shareholders. In addition, Qualifying Fantasia Shareholders will receive a copy of this prospectus in the manner in which they have elected to receive corporate communications under Fantasia Holdings' corporate communications policy.

If a Qualifying Fantasia Shareholder has elected to receive corporate communications from Fantasia in printed form, or has not been asked to elect the means of receiving Fantasia's corporate communications, a printed copy of this prospectus in the elected language version(s) will be despatched to such Qualifying Fantasia Shareholder.

If a Qualifying Fantasia Shareholder has (a) elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from Fantasia Holdings, and an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company and the Stock Exchange at www.colourlife.hk and www.hkexnews.hk, respectively.

A Qualifying Fantasia Shareholder who has elected to receive or is deemed to have consented to receiving the electronic form of this prospectus may at any time request for a printed copy of this prospectus by sending a request in writing to the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or by email to fantasia.ecom@computershare.com.hk. The Hong Kong Share Registrar will promptly upon request send by ordinary post a printed copy of this

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prospectus to such Qualifying Fantasia Shareholder, free of charge, although such Qualifying Fantasia Shareholder may not receive such printed copy of this prospectus before the close of the Hong Kong Public Offering.

Qualifying Fantasia Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of those Hong Kong Underwriters as set out in “— A. Applications for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares — Where to Collect the Application Forms.”

Where a Qualifying Fantasia Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Fantasia Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions of an application mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares resulting from other Qualifying Fantasia Shareholders declining to take up some or all of their Assured Entitlement by way of allocation by the Joint Global Coordinators on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares, and thereafter at the discretion of the Joint Global Coordinators, to other investors in the International Offering.

Qualifying Fantasia Shareholders who intend to apply for excess Reserved Shares must apply for a number of Shares which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Shares are:

- (i) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;
- (ii) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (iii) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be re-allocated, at the discretion of the Joint Global Coordinators, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying Fantasia Shareholders who have applied for Reserved Shares under the Preferential Offering either through the **Blue Form eIPO** service via www.eipo.com.hk or on a **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if

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you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying Fantasia Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **WHITE Form eIPO** service under the Hong Kong Public Offering.

3. DESPATCH OF THE PROSPECTUS AND THE BLUE APPLICATION FORMS

The **BLUE** Application Form has been despatched, if you are a Qualifying Fantasia Shareholder, to your address recorded on the register of members of Fantasia Holdings, at 4:30 p.m. on the Record Date. In addition, Qualifying Fantasia Shareholders will receive a printed copy of this prospectus if a Qualifying Fantasia Shareholder has elected to receive corporate communications from Fantasia Holdings in a printed form or has not been asked to elect the means of receiving Fantasia's corporate communications. An electronic copy of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at www.colourlife.hk and the Stock Exchange at www.hkexnews.hk, respectively.

Persons who held their Fantasia Shares in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Fantasia Shares in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instructions to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC or HKSCC Nominees.

Qualifying Fantasia Shareholders who require a replacement **BLUE** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or on its hotline at 2862 8555.

4. APPLYING THROUGH THE BLUE FORM eIPO SERVICE

If you apply for Reserved Shares online through the **Blue Form eIPO** service:

- (a) detailed instructions for application through the **Blue Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the **Blue Form eIPO** Service Provider and may not be submitted to the Company;
- (b) you must also be willing to provide a valid e-mail address; and
- (c) once payment is completed via electronic application instructions given by you or for your benefit, an actual application is deemed to have been made. If you submit applications both via the **Blue Form eIPO** service and by using a **BLUE** Application Form, only the application submitted via the **Blue Form eIPO** service will be accepted and the other will be rejected.

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5. APPLYING BY USING BLUE APPLICATION FORM

- (a) Complete the **BLUE** Application Form in English in ink, and sign it. There are detailed instructions on the **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the **BLUE** Application Form.
- (b) The **BLUE** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order for each of the Blue Form for Assured Entitlement and the Blue Form for Excess Application. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.
- (c) Lodge the **BLUE** Application Form(s) in one of the collection boxes by the time and at one of the locations as described in “— B. Applications for Reserved Shares — 6. When may applications be made” below.
- (d) You may apply for a number of Assured Entitlement equal to or less than the number stated in box B of the Blue Form for Assured Entitlement. If you intend to apply for less than your Assured Entitlement, you **MUST** apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). You need to complete and sign **BLUE** Application Form for Assured Entitlement and submit one cheque (or banker's cashier order) for the exact amount of remittance printed in Box B or the corresponding amount payable as set out in the table in the **BLUE** Application Form.
- (e) Other than Assured Entitlement, you may apply for excess Reserved Shares. If you intend to apply for excess Reserved Shares, you **MUST** apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). If you are applying by using the **BLUE** Application Form for excess application for Reserved Shares, you **MUST** apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount.
- (f) If you intend to apply for both Assured Entitlement and excess application for Reserved Shares, you must submit both **BLUE** Application Form for Assured Entitlement and **BLUE** Application Form for excess application for Reserved Shares.
- (g) The **BLUE** Application Form will be rejected by the Company if:
 - the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;
 - the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
 - in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorized officer or affixed with a company chop;
 - the cheque/banker's cashier order/**BLUE** Application Form is defective;

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- the **BLUE** Application Form for either Assured Entitlement or excess Reserved Shares is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order;
- the account name on cheque/banker's cashier order is not pre-printed or certified by the issuing bank;
- the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
- the name of the payee indicated on the cheque/banker's cashier order is not "Bank of China (Hong Kong) Nominees Limited — Colour Life Preferential Offer";
- the cheque has not be crossed "Account payee only";
- the cheque was post-dated;
- the applicant's payment is not made correctly or the applicant paid by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;
- the applicant's name / the first applicant's name on the joint application is not the same as the name pre-printed or certified / endorsed by the drawee bank on the cheque/ banker's cashier order;
- alteration(s) to the application details on the Application Form has not been authorized by the signature(s) of the applicant(s);
- the application is completed by pencil;
- the Company believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the application is received; or
- the Company and the Joint Global Coordinators, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

Instead of using the **BLUE** Application Form, you may apply for Reserved Shares through the **Blue Form eIPO** service at www.eipo.com.hk.

6. WHEN MAY APPLICATIONS BE MADE

Application through the Blue Form eIPO service

You may submit your application via the **Blue Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m., Tuesday, June 17, 2014 until 11:30 a.m., Friday, June 20, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Friday, June 20, 2014 or such later time under the "F. Effects of Bad Weather on the Opening of the Applications Lists" in this section.

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Applications on BLUE Application Forms

Your completed **BLUE** Application Form, together with a cheque/banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — Colour Life Preferential Offer, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed in “— A. Applications for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares — Where to Collect the Application Forms” or at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at the specified times on the following dates:

- Tuesday, June 17, 2014 — 9:00 a.m. to 5:00 p.m.
- Wednesday, June 18, 2014 — 9:00 a.m. to 5:00 p.m.
- Thursday, June 19, 2014 — 9:00 a.m. to 5:00 p.m.
- Friday, June 20, 2014 — 9:00 a.m. to 12:00 noon

If you submit applications both through the **Blue Form eIPO** service and by **BLUE** Application Form, only the application submitted via the **Blue Form eIPO** service will be accepted and the other will be rejected.

Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, June 20, 2014, the last application day or such later time as described in “— F. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No proceedings will be taken on applications for Reserved Shares and no allotment of any such Reserved Shares will be made until after the closing of the application lists.

How many applications may be made

You should refer to “— A. Applications for Hong Kong Offer Shares — 6. How many applications can you make” above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

C. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service or the **Blue Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares and/or Reserved Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

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- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Offering (except in respect of Reserved Shares applied for under the Preferential Offering);
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares and/or Reserved Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares and/or Reserved Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares and/or Reserved Shares applied for, or any lesser number allocated to you under the application;

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- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares and/or Reserved Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that except for an application made by a Qualifying Fantasia Shareholder under the Preferential Offering, this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares and/or Reserved Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that, except where you are a Qualifying Fantasia Shareholder applying through completing and submitting a **BLUE** Application Form or the **Blue Form eIPO** service, no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that, except where the other person for whose benefit you are applying is a Qualifying Fantasia Shareholder and you are making an application for him through completing and submitting a **BLUE** Application Form or the **Blue Form eIPO** service,
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW and BLUE Application Forms

You may refer to the **YELLOW** Application Form and the **BLUE** Application Form for details.

D. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service, or for the Reserved Shares through the **Blue Form eIPO** service, is also only a facility provided to public investors and Qualifying Fantasia Shareholders. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service and the **Blue Form eIPO** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon, Friday, June 20, 2014.

E. HOW MUCH ARE THE HONG KONG OFFER SHARES AND THE RESERVED SHARES

The **WHITE**, **YELLOW** and **BLUE** Application Forms have tables showing the exact amount payable for Shares. You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** or **YELLOW** Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section entitled "Structure of the Global Offering — Pricing and Allocation."

F. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 20, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, June 20, 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section entitled "Expected Timetable," an announcement will be made in such event.

G. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Reserved Shares on Friday, June 27, 2014 in South China Morning Post (in English), Hong Kong Economic Times (in Chinese) and on the Company's website at www.colourlife.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.colourlife.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Friday, June 27, 2014;
- from the designated results of allocations website at www.iporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, June 27, 2014 to 12:00 midnight on Thursday, July 3, 2014;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, June 27, 2014 to Monday, June 30, 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, June 27, 2014 to Monday, June 30, 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and the Reserved Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section entitled "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

H. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES AND RESERVED SHARES

You should note the following situations in which the Hong Kong Offer Shares and/or Reserved Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or via the **White Form eIPO** Service Provider or the **Blue Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares and the Reserved Shares is void:

The allotment of Hong Kong Offer Shares and Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications as described in “— A. Applications for Hong Kong Offer Shares — 6. How many applications can you make” above;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares (except in respect of Reserved Shares applied for under the Preferential Offering);
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service/**Blue Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker’s cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

I. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$4.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or around Friday, June 27, 2014.

J. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all Reserved Shares allotted to you under the Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** or **BLUE** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares and/or Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares and/or Reserved Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, June 27, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Share certificates will only become valid at 8:00 a.m. on Monday, June 30, 2014 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a **WHITE** or **BLUE** Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and/or for 1,000,000 or more Reserved Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, June 27, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or for 1,000,000 Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, June 27, 2014, by ordinary post and at your own risk.

(ii) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, June 27, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Friday, June 27, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant’s stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "G. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, June 27, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service or the Blue Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more, or for 1,000,000 Reserved Shares or more, and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, June 27, 2014, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or 1,000,000 Reserved Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, June 27, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, June 27, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “— G. Publication of Results” above on Friday, June 27, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, June 27, 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, June 27, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, June 27, 2014.

K. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



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香港金鐘道88號
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Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

June 17, 2014

The Directors
Colour Life Services Group Co., Limited
Merrill Lynch Far East Limited
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Colour Life Services Group Co., Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2013 (the “Track Record Period”) for inclusion in the prospectus of the Company dated June 17, 2014 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Cayman Islands Companies Law on March 16, 2011. The Company is an investment holding company and has not carried on any business except for equity transactions and preparation for initial listing of shares of the Company since its incorporation. Through a reorganization (the “Reorganization”) as more fully explained in the section “History, Reorganization and the Group Structure” of the Prospectus, the Company became the holding company of the Group on July 25, 2011.

At each of the reporting date and at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities	Legal form
				At December 31,			At the date of this report		
				2011	2012	2013			
				%	%	%	%		
<i>Directly held:</i>									
Ace Link Pacific Limited ("Ace Link")	British Virgin Islands (the "BVI")	September 3, 2007	US\$100	100.0	100.0	— (Note 1)	—	Investment holding	Private limited company
Tong Yuan Holdings Limited ("Tong Yuan")	BVI	December 3, 2012	US\$100	—	—	100.0 (Note 9)	100.0	Investment holding	Private limited company
Colour Cloud Holdings Group Co., Limited ("Colour Cloud Holdings")	Cayman Islands (the "Cayman")	June 8, 2012	US\$50,000	—	100.0	100.0	100.0	Investment holding	Private limited company
Colour Pay Treasure Holdings Group Co., Limited ("Colour Pay Treasure")	Cayman	June 8, 2012	US\$50,000	—	100.0	100.0	100.0	Investment holding	Private limited company

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities	Legal form
				At December 31,			At the date of this report		
				2011	2012	2013			
				%	%	%	%		
<i>Indirectly held:</i>									
深圳市彩生活服务集团有限公司 Shenzhen Colour Life Services Group Company Limited* ("Shenzhen Colour Life")	The People's Republic of China (the "PRC")	August 25, 2006	RMB15,000,000	100.0	100.0	100.0	100.0	Investment holding	Limited liability company
深圳市彩生活网络服务有限公司 Shenzhen Colour Life Network Service Co., Ltd.* ("Shenzhen Colour Life Network Service")	PRC	June 12, 2007	RMB10,000,000	100.0	100.0	100.0	100.0	Provision of community leasing, sales and other services	Limited liability company
Colour Life Service Group (HK) Co., Limited ("Colour Life Service Group (HK)")	Hong Kong	November 8, 2007	HK\$10,000	100.0	100.0	— (Note 1)	—	Investment holding	Private limited company
雅浩科技发展(深圳)有限公司 Yahao Technology Development (Shenzhen) Co., Ltd.* ("Yahao Technology")	PRC	April 23, 2007	HK\$1,000,000	100.0	100.0	— (Note 1)	—	Investment holding	Limited liability company
深圳市星彗行置业有限公司 Shenzhen Xingyanhang Real Estate Co., Ltd.* ("Shenzhen Xingyanhang Real Estate")	PRC	April 23, 2007	RMB4,000,000	92.7	92.7	92.7	92.7	Provision of community leasing, sales and other services	Limited liability company
深圳市匯港物業管理有限公司 Shenzhen Huigang Property Management Co., Ltd. ("Shenzhen Huigang Property Management")	PRC	April 12, 2002	RMB3,000,000	75.0	75.0	75.0	75.0	Provision of property management services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Technology Co., Ltd.* ("Shenzhen Kaiyuan Tongji")	PRC	November 15, 2001	RMB5,000,000	100.0	100.0	100.0	100.0	Provision of engineering services	Limited liability company
深圳市彩悅酒店有限公司 Shenzhen Caiyue Hotel Company Limited* ("Shenzhen Caiyue Hotel")	PRC	January 15, 2009	RMB100,000	100.0	100.0	— (Note 2)	—	Provision of hotel services	Limited liability company
深圳市彩悅酒店管理有限公司 Shenzhen Caiyue Hotel Management Company Limited* ("Shenzhen Caiyue Hotel Management")	PRC	August 20, 2008	RMB100,000	100.0	100.0	— (Note 3)	—	Investment holding	Limited liability company
深圳宏威裝飾設計工程有限公司 Shenzhen Hongwei Decoration & Designing Company Limited* ("Shenzhen Hongwei Decoration")	PRC	May 25, 1994	RMB10,000,000	— (Note 4)	—	—	—	Provision of interior design service	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Company Limited* ("Shenzhen Kangnian Technology")	PRC	February 9, 2007	RMB100,000,000	— (Note 4)	—	—	—	Property development and investment	Limited liability company
Hong Kong Kangnian Trading Co., Ltd ("Hong Kong Kangnian Trading")	Hong Kong	September 24, 2009	USD500,000	— (Note 4)	—	—	—	Trading and Investment Holding	Private limited company

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities	Legal form
				At December 31,			At the date of this report		
				2011	2012	2013			
				%	%	%	%		
深圳市匯恒置業有限公司 Shenzhen Huiheng Real Estate Company Limited* ("Shenzhen Huiheng Real Estate")	PRC	April 26, 2006	RMB150,000,000	— (Note 4)	—	—	—	Property development	Limited liability company
寧夏回族自治區新墾基建築工程有限公司 Ningxia Hui Nationality Autonomous Region Xingshengji Construction Company Limited* ("Ningxia Hui Construction")	PRC	July 22, 2009	RMB50,000,000	— (Note 5)	—	—	—	Provision of construction services	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.* ("Shenzhen Colour Life Property Management")	PRC	December 11, 2000	RMB35,000,000	100.0	100.0	100.0	100.0	Provision of property management services	Limited liability company
深圳市蓮塘物業管理有限公司 Shenzhen Liantang Property Management Co., Ltd.* ("Shenzhen Liantang Property Management")	PRC	November 16, 1999	RMB3,000,000	— (Note 6)	—	—	—	Provision of property management services	Limited liability company
惠州市友鄰物業管理有限公司 Huizhou Youlin Property Management Co., Ltd.* ("Huizhou Youlin Property Management")	PRC	June 13, 2008	RMB500,000	100.0 (Note 7)	100.0	100.0	100.0	Provision of property management services	Limited liability company
深圳市羅伯特管家物業管理有限公司 Shenzhen Robert Housekeeper Properties Management Co., Ltd.* ("Shenzhen Robert Housekeeper")	PRC	April 9, 2002	RMB1,000,000	51.0 (Note 7)	— (Note 10)	— (Note 10)	—	Provision of property management services	Limited liability company
深圳市安彩華能源投資有限公司 Shenzhen Ancaihua Energy Investment Co., Ltd.* ("Shenzhen Ancaihua Energy Investment")	PRC	November 29, 2011	RMB100,000	51.0	51.0	51.0	51.0	Provision of engineering services	Limited liability company
鐵嶺正南物業管理有限公司 Tieling Zhengnan Property Management Co., Ltd.* ("Tieling Zhengnan Property Management")	PRC	March 18, 2008	RMB500,000	—	51.0 (Note 8)	51.0	51.0	Provision of property management services	Limited liability company
陝西蓮塘物業服務有限公司 Shaanxi Liantang Property Service Co., Ltd.* ("Shanxi Liantang Property Service")	PRC	September 8, 2003	RMB3,000,000	—	100.0 (Note 8)	100.0	100.0	Provision of property management services	Limited liability company
河源市彩生活物業管理有限公司 Heyuan Colour Life Property Management Co., Ltd.* ("Heyuan Colour Life Property Management" (formerly known as 河源市華達物業管理有限公司 "Heyuan Huada Property Management Co., Ltd.")	PRC	June 12, 2002	RMB3,000,000	—	100.0 (Note 8)	100.0	100.0	Provision of property management services	Limited liability company
深圳市彩生活彩虹清潔服務有限公司 Shenzhen Colour Life Caihong Cleaning Services Co., Ltd.* ("Shenzhen Colour Life Qingjie Service")	PRC	June 17, 2011	RMB100,000	100.0	100.0	— (Note 11)	—	Provision of community leasing, sales and other services	Limited liability company
Colour Cloud Group Co., Limited ("Colour Cloud Group")	BVI	June 8, 2012	US\$1	—	100.0	100.0	100.0	Investment holding	Private limited company

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities	Legal form
				At December 31,			At the date of this report		
				2011	2012	2013			
				%	%	%	%		
Colour Cloud Group (HK) Co., Limited ("Colour Cloud HK")	Hong Kong	June 25, 2012	HK\$10,000	—	100.0	100.0	100.0	Investment holding	Private limited company
Colour Pay Group Co., Limited ("Colour Pay Group")	BVI	June 14, 2012	US\$1	—	100.0	100.0	100.0	Investment holding	Private limited company
Colour Pay Group (HK) Co., Limited ("Colour Pay HK")	Hong Kong	June 25, 2012	HK\$10,000	—	100.0	100.0	100.0	Investment holding	Private limited company
Novel Era Holdings Limited ("Novel Era")	Hong Kong	November 16, 2012	HK\$10,000	—	—	100.0	100.0	Investment holding	Private limited company (Note 9)
深圳市彩生活社區科技服務有限公司 Shenzhen Colour Life Community Technology Services Co., Ltd.* ("Shenzhen Colour Life Community Technology")	PRC	March 11, 2013	HK\$1,000,000	—	—	100.0	100.0	Investment holding	Limited liability company
深圳市前海彩之雲網絡科技有限公司 Shenzhen Qianhai Caizhiyun Network Technology Co., Ltd.* ("Shenzhen Qianhai Caizhiyun")	PRC	April 22, 2013	RMB5,000,000	—	—	100.0	100.0	Provision of community leasing, sales and other services	Limited liability company
深圳市前海彩付寶網絡科技有限公司 Shenzhen Qianhai Caifubao Network Technology Co., Ltd.* (Shenzhen Qianhai Caifubao)	PRC	May 7, 2013	RMB5,000,000	—	—	100.0	100.0	Provision of community leasing, sales and other services	Limited liability company
秦皇島市宏添源物業服務有限公司 Qinhuangdao Hongtianyuan Property Service Co., Ltd.* ("Qinhuangdao Hongtianyuan Property Service")	PRC	October 26, 2005	RMB5,000,000	—	—	51.0	51.0	Provision of property management services	Limited liability company (Note 9)
南京名城物業管理有限公司 Nanjing Mingcheng Property Management Co., Ltd.* ("Nanjing Mingcheng Property Management")	PRC	May 30, 2002	RMB5,000,000	—	—	90.0	90.0	Provision of property management services	Limited liability company (Note 9)
陝西彩生活社區服務有限公司 Shaanxi Colour Life Community Service Co., Ltd.* ("Shaanxi Colour Life Community")	PRC	March 25, 2009	RMB3,000,000	—	—	51.0	51.0	Provision of property management services	Limited liability company (Note 9)
南京慧轄物業服務有限公司 Nanjing Huitao Property Management Company Limited ("Nanjing Huitao Property Management")	PRC	September 29, 2006	RMB5,000,000	—	—	90.0	90.0	Provision of property management service	Limited liability company (Note 9)
無錫市太湖花園物業管理有限責任公司 Wuxi Taihu Garden Property Management Co., Limited* ("Wuxi Taihu Property Management")	PRC	November 30, 2001	RMB3,000,000	—	—	80.0	80.0	Provision of property management services	Limited liability company (Note 9)
南京錦江物業管理有限公司 Nanjing Jingjiang Property Management Co., Limited* ("Nanjing Jingjiang Property Management")	PRC	June 26, 2001	RMB5,000,000	—	—	90.0	90.0	Provision of property management services	Limited liability company (Note 9)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group			At the date of this report	Principal activities	Legal form
				At December 31,					
				2011	2012	2013			
				%	%	%	%		
上海欣周物業管理有限公司 Shanghai Xinzhou Property Management Co., Limited* ("Shanghai Xinzhou Property Management")	PRC	September 21, 1999	RMB3,000,000	—	—	70.0	70.0	Provision of property management services	Limited liability company
						(Note 9)			
無錫市明珠園藝有限責任公司 Wuxi Pearl Garden Co., Limited* ("Wuxi Pearl Garden")	PRC	September 24, 1999	RMB500,000	—	—	90.0	90.0	Provision of property management services	Limited liability company
						(Note 9)			
上海欣周逸浦物業管理有限公司 Shanghai Xinzhou Yipu Property Management Co., Limited* ("Shanghai Xinzhou Yipu")	PRC	September 26, 2011	RMB500,000	—	—	100.0	100.0	Provision of property management services	Limited liability company
						(Note 9)			

* *The English name is for identification purpose only*

Notes:

- On April 30, 2013, the Company disposed of its 100% interest in Ace Link to Zhao Xing Holdings Limited ("Zhao Xing Holdings"), a fellow subsidiary of the Company. Upon completion of the disposal, Ace Link, and its subsidiaries Colour Life Service Group (HK) and Yahao Technology, became wholly owned subsidiaries of Zhao Xing Holdings and ceased to be subsidiaries of the Company. Details are set out in note 36(b).
- On January 11, 2013, the Group's interest in Shenzhen Caiyue Hotel was disposed to Liu Yunhai and Huang Wenhui, both are independent third parties, pursuant to a share transfer agreement entered into among the Group, Liu Yunhai and Huang Wenhui on December 31, 2012. Upon completion of the disposal, Liu Yunhai and Huang Wenhui each holds 50% equity interest in Shenzhen Caiyue Hotel, and Shenzhen Caiyue Hotel ceased to be a subsidiary of the Company. Details are set out in note 36(b).
- On March 13, 2013, the Group's interest in Shenzhen Caiyue Hotel Management was disposed to Liu Yunhai and Huang Wenhui, both are independent third parties, pursuant to a share transfer agreement entered into among the Group, Liu Yunhai and Huang Wenhui on March 4, 2012. Upon completion of the disposal, Liu Yunhai and Huang Wenhui each holds 50% equity interest in Shenzhen Caiyue Hotel Management, and Shenzhen Caiyue Hotel Management ceased to be a subsidiary of the Company. Details are set out in note 36(b).
- On March 14, 2011, the Group disposed of its entire 60% equity interest in Shenzhen Hongwei Decoration and its subsidiaries (including Shenzhen Kangnian Technology, Hong Kong Kangnian Trading and Shenzhen Huiheng Real Estate) to 深圳置富房地產開發有限公司 Shenzhen Zhifu Property Development Co., Ltd. ("Shenzhen Zhifu Property Development"), a fellow subsidiary of the Company. Details are set out in note 36(b).
- On March 8, 2011, the Group disposed of its 100% interest in Ningxia Hui Construction to Shenzhen Zhifu Property Development, a fellow subsidiary of the Company. Details are set out in note 36(b).
- On February 27, 2011, the Group disposed of its 100% interest in Shenzhen Liantang Property Management to 深圳市花樣年物業服務有限公司 Shenzhen Fantasia Property Service Co. Ltd. ("Shenzhen Fantasia Property Service"), a fellow subsidiary of the Company. Details are set out in note 36(b).
- These entities were acquired by the Group in 2011. Details are set out in note 36(a).
- These entities were acquired by the Group in 2012. Details are set out in note 36(a).
- These entities were acquired by the Group in 2013. Details are set out in note 36(a).
- During the year ended December 31, 2012, the Group lost the control over Shenzhen Robert Housekeeper which has no significant financial impact to the Group. On July 14, 2013, the Group disposed of its 51% interest in this entity to 深圳市景樂物業管理有限公司 Shenzhen Jingle Property Management Co., Limited ("Shenzhen Jingle"), an independent third party, for a consideration of RMB380,000 pursuant to a share transfer agreement between the Group and Shenzhen Jingle. Upon completion of the disposal, Shenzhen Robert Housekeeper legally ceased to be a subsidiary of the Company. Details are set out in note 36(b).
- On July 16, 2013, the Group disposed of its 100% interest in Shenzhen Colour Life Qingjie Service to 益陽朝陽彩虹清潔服務有限公司 Yiyang Chaoyang Caihong Cleaning Service Co., Ltd. ("Yiyang Chaoyang Caihong"), an independent third party, for a consideration of RMB1,250,000 pursuant to a share transfer agreement entered into between the Group and Yiyang Chaoyang Caihong. Upon completion of the disposal, Shenzhen Colour Life Qingjie Service ceased to be a subsidiary of the Company. Details are set out in note 36(b).

The financial year end of the Company and its subsidiaries is December 31.

No audited statutory financial statements have been prepared for the Company, Ace Link, Shenzhen Robert Housekeeper, Tong Yuan, Colour Cloud Holdings, Colour Cloud Group, Colour Pay Treasure and Colour Pay Group since their respective date of establishment/incorporation as there is no statutory audit requirement in the jurisdiction where they were incorporated or established.

No audited statutory financial statements has been prepared for Novel Era, which was incorporated on November 16, 2012 as it has not reached the statutory time limit imposed on the issuance of first set of audited financial statements since its respective date of incorporation.

We have acted as statutory auditor of Colour Life Service Group (HK) for each of the two years ended December 31, 2012. We have acted as statutory auditor of Colour Cloud HK and Colour Pay HK since their respective dates of incorporation to December 31, 2012. The statutory financial statements of these companies are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Auditing issued by the HKICPA. No audited financial statements have been prepared for Colour Cloud HK and Colour Pay HK during the year ended December 31, 2013 as they have not reached the statutory requirement for audited annual financial statements for the relevant year.

The statutory financial statements of entities established in the PRC for the Track Record Period or since respective date of establishment, where there is a shorter period were prepared in accordance with the relevant accounting policies and financial regulations applicable to enterprises established in the PRC. They were audited by the following firms of certified public accountants registered in the PRC.

Name of company	Periods covered	Name of auditors
Shenzhen Colour Life	Each of the three years ended December 31, 2013	深圳中瑞華正會計師事務所
Shenzhen Colour Life Network Service	Each of the three years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Yahao Technology	Each of the two years ended December 31, 2012	深圳平海會計師事務所(普通合夥)
Heyuan Colour Life Property Management	Each of the two years ended December 31, 2013	河源市順源會計師事務所有限公司
Shenzhen Xingyanhang Real Estate	Each of the three years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Kaiyuan Tongji	Each of the three years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Caiyue Hotel	Each of the two years ended December 31, 2012	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Caiyue Hotel Management	Each of the two years ended December 31, 2012	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Colour Life Property Management	Each of the three years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Huigang Property Management	Each of the three years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Huizhou Youlin Property Management	For the year ended December 31, 2011	惠州市民和會計師事務所

Name of company	Periods covered	Name of auditors
	Each of the two years ended December 31, 2013	惠州市金玉稅務師事務所有限公司
Shenzhen Ancaihua Energy Investment . . .	From date of establishment to December 31, 2012 and for the year ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Colour Life Qingjie Service	From date of establishment to December 31, 2012 and for the year ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shaanxi Liantang Property Service	Each of the years ended December 31, 2013	西安康勝會計師事務所有限責任公司
Tieling Zhengnan Property Management . . .	Each of the years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Nanjing Huitao Property Management	For the year ended December 31, 2013	江蘇咨華會計師事務所
Nanjing Jingjiang Property Management . . .	For the year ended December 31, 2013	江蘇咨華會計師事務所
Nanjing Mingcheng Property Management . .	For the year ended December 31, 2013	江蘇咨華會計師事務所
Qinhuangdao Hongtianyuan Property Service	For the year ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shaanxi Colour Life Community	For the year ended December 31, 2013	西安康勝會計師事務所有限責任公司
Shanghai Xinzhou Property Management . .	For the year ended December 31, 2013	深圳鵬盛會計師事務所
Shanghai Xinzhou Yipu	For the year ended December 31, 2013	深圳鵬盛會計師事務所
Wuxi Pearl Garden	For the year ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Wuxi Taihu Property Management	For the year ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Colour Life Community Technology	From the date of establishment to December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Qianhai Caizhiyun	From the date of establishment to December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Qianhai Caifubao	From the date of establishment to December 31, 2013	深圳星源會計師事務所(特殊普通合夥)

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group, which comprise the Company and its subsidiaries for the Track Record Period in accordance with the HKFRS issued by HKICPA (the "Underlying Financial Statements").

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements for the Track Record Period in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 to Section A below. No adjustments were deemed necessary by us to adjust the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issuance. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group, and of the Company as at December 31, 2011, December 31, 2012 and December 31, 2013 and of the consolidated profit and consolidated cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
<u>Continuing operations</u>				
Revenue	8	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	9	(4,152)	(2,312)	(10,122)
Other income	9	475	1,586	4,289
Selling and distribution expenses		(6,922)	(5,809)	(1,915)
Administrative expenses		(29,854)	(45,037)	(60,276)
Expenses recharged to residential communities under commission basis		9,947	18,460	17,348
Finance costs	10	(1,092)	(582)	(630)
Listing expenses		—	—	(22,854)
Changes in fair value of investment properties		1,087	(86)	230
Impairment loss recognized on goodwill	22	(870)	—	—
Share of results of an associate	20	360	303	175
Share of results of a joint venture	21	218	173	265
Gain on disposal of subsidiaries	36	—	—	778
Profit before tax		38,381	60,861	70,935
Income tax expense	11	(14,929)	(15,996)	(25,467)
Profit for the year	13	23,452	44,865	45,468

	Notes	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
<u>Discontinued operations</u>				
Profit (loss) for the year from discontinued operations	37	(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)	15	0.92	6.03	6.04
From continuing operations (RMB cents)	15	2.74	6.11	6.04
Earnings per share — Diluted				
For continuing and discontinued operations (RMB cents)	15	0.92	6.03	6.04
For continuing operations (RMB cents)	15	2.74	6.11	6.04

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	The Group			The Company		
		As at December 31,			As at December 31,		
		2011	2012	2013	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets							
Property, plant and equipment	16	6,292	10,357	23,513	—	—	—
Intangible assets	17	—	—	624	—	—	—
Investment properties	18	11,114	12,620	26,758	—	—	—
Interests in subsidiaries	19	—	—	—	1	623	623
Interest in an associate	20	953	932	1,107	—	—	—
Interest in a joint venture	21	285	303	568	—	—	—
Goodwill	22	4,558	14,114	50,537	—	—	—
Deposits paid for acquisition of subsidiaries	23	4,484	8,678	—	—	—	—
Trade receivables	26	7,092	9,416	7,585	—	—	—
Other receivables and prepayments	26	8,832	8,110	5,334	—	—	—
Deferred tax assets	24	1,875	2,001	3,848	—	—	—
		45,485	66,531	119,874	1	623	623
Current assets							
Inventories	25	—	1,274	200	—	—	—
Trade receivables	26	10,427	21,575	49,566	—	—	—
Other receivables and prepayments	26	19,936	28,772	43,339	—	—	7,426
Payments on behalf of residents	27	19,702	46,089	43,966	—	—	—
Amounts due from customers for contract works	28	38,510	45,749	43,892	—	—	—
Amount due from a subsidiary	42(b)	—	—	—	—	—	35,231
Amount due from immediate holding company	42(b)	—	—	1	—	—	1
Amounts due from fellow subsidiaries	42(b)	302,146	330,850	32,153	—	—	—
Amounts due from non-controlling shareholders	42(b)	—	675	13,063	—	—	—
Amount due from an associate	42(b)	26	—	—	—	—	1
Amount due from a related party	42(b)	—	46,250	1,303	—	—	—
Financial assets classified as fair value through profit or loss ("FVTPL")	29	—	42,200	—	—	—	—
Restricted bank deposits	30	—	997	997	—	—	—
Bank balances and cash	30	30,657	24,980	146,113	—	—	—
		421,404	589,411	374,593	—	—	42,659
Current liabilities							
Trade payables	31	16,036	21,444	20,851	—	—	—
Other payables and accruals	31	34,412	49,290	93,387	—	—	20,972
Receipts on behalf of residents	27	30,607	77,700	96,804	—	—	—
Amounts due to customers for contract works	28	2,002	616	2,784	—	—	—
Amounts due to fellow subsidiaries	42(b)	249,641	356,778	36,719	106	729	1,631
Amount due to immediate holding company	42(b)	3,091	3,283	1,428	—	—	—
Amounts due to non-controlling shareholders	42(b)	828	624	1,809	—	—	—
Amounts due to subsidiaries	42(b)	—	—	—	—	—	631
Amount due to an associate	42(b)	—	2,126	2,387	—	—	—
Amount due to a joint venture	42(b)	169	94	94	—	—	—
Borrowings due within one year	32	40,000	—	162	—	—	—
Tax liabilities		25,834	31,607	45,910	—	—	—
		402,620	543,562	302,335	106	729	23,234

	Notes	The Group			The Company		
		As at December 31,			As at December 31,		
		2011	2012	2013	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities associated with disposal group classified as held for sale	37	—	2,509	—	—	—	—
		402,620	546,071	302,335	106	729	23,234
Net current assets (liabilities)		18,784	43,340	72,258	(105)	(729)	19,425
Total assets less current liabilities		64,269	109,871	192,132	(104)	(106)	20,048
Non-current liabilities							
Deferred tax liabilities	24	556	338	509	—	—	—
Amount due to a non-controlling shareholder . .	42(b)	—	1,348	1,091	—	—	—
Borrowings due after one year	32	—	—	215	—	—	—
Redeemable shares	33	—	—	6,614	—	—	6,614
		556	1,686	8,429	—	—	6,614
Net assets (liabilities)		63,713	108,185	183,703	(104)	(106)	13,434
Capital and reserves							
Share capital	34	2	2	164	2	2	164
Reserves	35	62,647	106,246	178,761	(106)	(108)	13,270
Equity attributable to:							
Owners of the Company		62,649	106,248	178,925	(104)	(106)	13,434
Non-controlling interests		1,064	1,937	4,778	—	—	—
Total equity		63,713	108,185	183,703	(104)	(106)	13,434

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000		
At January 1, 2011	1	—	7,982	(13,425)	102,962	97,520	274,360	371,880
Profit and total comprehensive income for the year	—	—	—	—	6,652	6,652	(19,656)	(13,004)
Issuance of new shares	1	—	—	—	—	1	—	1
Acquisition of additional interest in a subsidiary (note b(i))	—	—	—	19,893	—	19,893	(19,893)	—
Acquisition of subsidiaries (note 36(a))	—	—	—	—	—	—	(260)	(260)
Disposal of subsidiaries (note 36(b))	—	—	—	(59,825)	—	(59,825)	(229,582)	(289,407)
Reorganization (note b(ii))	—	—	—	(1,666)	—	(1,666)	—	(1,666)
Transfer	—	—	5,439	—	(5,439)	—	—	—
Contribution by non-controlling interests	—	—	—	—	—	—	50	50
Recognition of equity-settled share-based payment (note 44)	—	—	—	74	—	74	—	74
Dividend paid	—	—	—	—	—	—	(3,955)	(3,955)
At December 31, 2011	2	—	13,421	(54,949)	104,175	62,649	1,064	63,713
Profit and total comprehensive income for the year	—	—	—	—	43,432	43,432	904	44,336
Acquisition of subsidiaries (note 36(a))	—	—	—	—	—	—	(31)	(31)
Recognition of equity-settled share-based payment (note 44)	—	—	—	167	—	167	—	167
Transfer	—	—	3,140	—	(3,140)	—	—	—
At December 31, 2012	2	—	16,561	(54,782)	144,467	106,248	1,937	108,185

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000	RMB'000		
Profit and total comprehensive income for the year	—	—	—	—	44,368	44,368	1,100	45,468
Capitalization issue (note 35)	156	(156)	—	—	—	—	—	—
Issue of new shares (note 35)	6	37,058	—	—	—	37,064	—	37,064
Acquisition of subsidiaries (note 36(a))	—	—	—	—	—	—	1,467	1,467
Disposal of subsidiaries (note 36(b))	—	—	—	(9,125)	—	(9,125)	274	(8,851)
Recognition of equity-settled share-based payment (note 44)	—	—	—	370	—	370	—	370
Transfer	—	—	4,057	—	(4,057)	—	—	—
At December 31, 2013	164	36,902	20,618	(63,537)	184,778	178,925	4,778	183,703

Notes:

- (a) The statutory reserve is non-distributable and the transfer to these reserves is determined by the board of directors of subsidiaries established in the PRC in accordance with the Articles of Association of the subsidiaries by way of appropriations from its net profit (based on PRC statutory financial statements of the subsidiaries). Statutory reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.
- (b) The amount recorded in the other reserve was resulted from the following and those transactions with Fantasia Holdings Group Co., Limited ("Fantasia Holdings") and its subsidiaries as disclosed in note 36(b) and below:
- (i) The amount of non-controlling interests being adjusted in respect of the acquisition of additional interests in Shenzhen Colour Life of 30.0% by transferring 3,000 shares of HK\$1 each of the Company by the immediate holding company to Splendid Fortune Limited, a shareholder of the Company during the year ended December 31, 2011.
- (ii) During the year ended December 31, 2011, the Group acquired the 41.65% equity interest in Shenzhen Xingyahan Real Estate from Fantasia Group (China) for a consideration of RMB1,666,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations and discontinued operations	949	60,624	70,935
Adjustments for:			
Allowance for doubtful debts/bad debt written off – net	4,163	2,394	7,410
Depreciation of property, plant and equipment	2,361	2,145	3,929
Amortization of intangible assets	—	—	1,189
Bank interest income	(333)	(749)	(554)
Interest income from advance from a customer	—	—	(222)
Imputed interest income on non-current interest-free trade receivables	(169)	(171)	(408)
Fair value adjustment on non-current interest-free deposit	—	—	666
Finance costs	14,927	582	630
Share-based payment expense	74	167	370
Share of results of a joint venture	(218)	(173)	(265)
Share of results of an associate	(360)	(303)	(175)
Loss on disposal of property, plant and equipment	20	—	1,846
Impairment loss recognized on goodwill	870	—	—
Gain on disposal of subsidiaries	—	—	(778)
Changes in fair value of investment properties	(839)	86	(230)
Changes in fair value of investment properties upon transfer from properties held for sale	(2,577)	—	—
Operating cash flows before movements in working capital .	18,868	64,602	84,343
(Increase) decrease in inventories	—	(1,274)	1,074
Increase in properties for sale	(53,396)	—	—
Decrease (increase) in trade and other receivables and prepayments	156,015	(19,298)	(40,821)
(Increase) decrease in payments/receipt on behalf of residents	(15,024)	20,706	15,381
(Increase) decrease in amounts due from/to customers for contract work	(3,402)	(8,625)	4,025
(Decrease) increase in trade and other payables	(37,875)	12,813	11,767
Decrease (increase) in amounts due from fellow subsidiaries	4,707	(1,975)	(17,737)
Cash generated from operations	69,893	66,949	58,032
Income taxes paid	(10,399)	(8,653)	(13,437)
NET CASH FROM OPERATING ACTIVITIES	59,494	58,296	44,595

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
INVESTING ACTIVITIES			
Interest received	333	749	554
Dividend received from a joint venture	79	155	—
Dividend received from an associate	313	324	—
Increase in deposits paid for subsidiaries	(4,484)	(6,574)	—
Acquisitions of subsidiaries (notes 36(a))	77	(2,940)	(20,436)
Proceeds from disposal of subsidiaries (notes 36(b))	(231,633)	—	(1,138)
Purchase of property, plant and equipment	(2,485)	(6,168)	(17,180)
Proceeds of disposal of property, plant and equipment	68	—	380
Purchase of investment properties	(1,982)	(4,512)	—
Purchase of financial assets classified as FVTPL	—	(112,530)	(143,975)
Redemption of financial assets classified as FVTPL	—	70,330	186,675
Proceeds from disposal of investment properties	—	2,920	—
Increase in restricted bank deposits	—	(997)	—
Advance of loan receivables	—	(1,500)	(3,000)
Repayment of loan receivables	—	—	4,500
Advances to a customer	(5,752)	—	—
Repayment of advance to a customer	—	500	3,500
Advance to the immediate holding company	—	—	(1)
Repayments from fellow subsidiaries	14,640	77,700	333,317
Advances to fellow subsidiaries	(351,920)	(104,429)	(25,540)
Advances to an associate	(26)	(690)	—
Repayment from an associate	—	716	—
Repayment from a related party	95,226	—	46,389
Advance to a related party	—	(46,250)	(1,442)
Repayment from a non-controlling shareholder	—	—	1,725
Advances to non-controlling shareholders	—	(675)	(918)
Advances to directors	—	—	(2,000)
Repayment from directors	—	—	2,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(487,546)	(133,871)	363,410

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
FINANCING ACTIVITIES			
Dividend paid	(3,955)	—	—
Interest paid	(14,927)	(582)	(193)
Payments for acquisitions of additional interest in a subsidiary	(1,666)	—	—
Issue of shares/redeemable shares	1	—	43,241
Repayments of bank borrowings	(100,000)	(40,000)	(70)
New bank borrowings raised	787,656	—	—
Capital contribution from non-controlling interests	50	—	—
Advances from fellow subsidiaries	1,226,549	209,635	28,540
Repayments to fellow subsidiaries	(27,527)	(102,633)	(357,724)
Advances from immediate holding company	3,000	283	—
Repayments to immediate holding company	(1,599,616)	—	(1,855)
Repayments to a joint venture	(80)	(75)	—
Advance from an associate	—	2,126	303
Repayment to an associate	—	—	(42)
Advance from non-controlling shareholders	828	1,449	2,520
Repayment to non-controlling shareholders	—	(305)	(1,592)
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 BEGINNING OF THE YEAR	188,396	30,657	24,980
CASH AND CASH EQUIVALENTS AT END OF THE YEAR..	30,657	24,980	146,113
Represented by:			
Bank balances and cash	30,657	24,980	146,113

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on March 16, 2011. The addresses of the registered office and principal place of business of the Company are stated in the section "Corporate Information" of the Prospectus.

The Company's immediate holding company is Fantasia Holdings Group Co., Limited ("Fantasia Holdings"), a company which was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. Its ultimate holding company is Ice Apex Limited, a limited liability company incorporated in the BVI. Its ultimate controlling party is Ms. Zeng Jie, Baby.

The principal activity of the Company is investment holding. Its subsidiaries established in the PRC are primarily engaged in the provision of property management services, the provision of engineering services and the provision of community leasing, sales and other services. In addition, provision of hotel services and property development and construction were discontinued upon disposal of subsidiaries in 2011. Details are set out in note 37.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and the subsidiaries.

2. REORGANIZATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

Prior to the commencement of the Reorganization, Ace Link was the holding company of the Group. Throughout the Track Record Period (or since their respective date of incorporation/establishment, if shorter), the group entities were under the control of Fantasia Holdings. The Reorganization comprised of the following steps:

- (a) In March 2011, the Group disposed of its 60% interest in Shenzhen Hongwei Decoration, together with its subsidiaries including Shenzhen Kangnian Technology, Shenzhen Huihang Real Estate and Hong Kong Kangnian Trading and 100% interest in Ningxia Hui Construction to Shenzhen Zhifu Property Development, a fellow subsidiary of the Company, for consideration of RMB5,000,000 and RMB20,000,000 respectively.
- (b) On March 16, 2011, the Company was incorporated by Fantasia Holdings in the Cayman Islands as an exempted company. The authorized share capital of the Company is HK\$1,000 divided into 10,000 shares of HK\$0.1 each. Upon its incorporation, 10,000 shares were allotted, issued and credited as fully paid to Fantasia.
- (c) On July 25, 2011, the Company as purchaser, and Fantasia Holdings as seller, entered into a sale and purchase agreement whereby the Company acquired, and Fantasia Holdings sold, the entire issued share capital of Ace Link at a consideration of US\$100. Upon completion of the acquisition, the Company became the holding company of all the companies now comprising the Group.
- (d) On July 25, 2011, Mr. Tang Xuebin, Mr. Dong Dong and other members of the senior management of Shenzhen Colour Life (the "senior management of Shenzhen Colour Life"), disposed of their aggregate 30% equity interest in Shenzhen Colour Life to Yahao Technology for a consideration of RMB3,000,000. Upon completion of this transaction, Shenzhen Colour Life became a wholly owned subsidiary of the Company.

- On the same day, Splendid Fortune Enterprise Limited (“Splendid Fortune”), which is owned by the senior management of Shenzhen Colour Life, acquired 30% equity interest in the Company from Fantasia Holdings, the immediate holding company of the Company, for a consideration of RMB3,000,000. Upon completion of this transaction, Splendid Fortune became a non-controlling shareholder of the Company.
- (e) In November 2011, the Group acquired 41.65% equity interest in Shenzhen Xingyanhang Real Estate from Fantasia Group (China) of a consideration of RMB1,666,000. Fantasia Group (China) and the Company are under common control of Fantasia Holdings and the transaction did not change the effective interest of Shenzhen Xingyanhang Real Estate attributable to the Group.
 - (f) On December 31, 2012, Shenzhen Colour Life entered into an equity transfer agreement with Mr. Liu Yunhai and Mr. Huang Wenhui, each an independent third-party, pursuant to which Mr. Liu Yunhai and Mr. Huang Wenhui each acquired from Shenzhen Colour Life 50% of the equity interest of Shenzhen Caiyue Hotel for the consideration of RMB1,000 and RMB1,000, respectively. Upon completion of such transfer on January 11, 2013, Mr. Liu Yunhai and Mr. Huang Wenhui hold 50% and 50% of the equity interest of Shenzhen Caiyue Hotel, respectively and Shenzhen Caiyue Hotel ceased to be a subsidiary of the Company.
 - (g) On January 7, 2013, the Group acquired Tong Yuan from an independent third party at a consideration of US\$100, and Tong Yuan became a directly wholly-owned subsidiary of the Company.
 - (h) On March 4, 2013, Shenzhen Colour Life entered into an equity transfer agreement with Mr. Liu Yunhai and Mr. Huang Wenhui, each an independent third-party, pursuant to which Mr. Liu Yunhai and Mr. Huang Wenhui each acquired from Shenzhen Colour Life 50% of the equity interest of Shenzhen Caiyue Hotel Management, for the consideration of RMB1,000 and RMB1,000, respectively. Upon completion of such transfer on March 13, 2013, Mr. Liu Yunhai and Mr. Huang Wenhui hold 50% and 50% of the equity interest of Shenzhen Caiyue Hotel Management, respectively and Shenzhen Caiyue Hotel Management ceased to be a subsidiary of the Company.
 - (i) On March 30, 2013, Shenzhen Colour Life Community Technology acquired from Yahoo Technology 100% equity interest in Shenzhen Colour Life for a consideration of RMB15,000,000. Upon completion of such transfer, Shenzhen Colour Life remained as an indirect wholly owned subsidiary of the Company.
 - (j) On April 30, 2013, the Company disposed of the entire issued share capital of Ace Link to Zhao Xing Holdings, a wholly owned subsidiary of Fantasia Holdings not forming part of the Group for a consideration of HK\$100. Upon completion of such disposal, Zhao Xing Holdings held the entire issued share capital of Ace Link, Ace Link and its subsidiaries, Colour Life Service Group (HK) and Yahoo Technology ceased to be subsidiaries of the Company.

Pursuant to the Reorganization, the Company became the holding company of all the companies now comprising the Group on July 25, 2011. Since Fantasia Holdings controlled all the companies now comprising the Group or since their respective dates of incorporation/establishment or acquisition up to the date of disposal before and after the Reorganization, the Group comprising the Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity. The Financial Information of the Group has

been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting of Common Control Combinations" issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment, where there is a shorter period except for the subsidiaries acquired by the Group and disposed by the Group during the Track Record Period as disclosed in note 36(a) and 36(b) respectively, which are included in the Financial Information since the date of acquisition or up to date of disposal by the Group.

The consolidated statements of financial position of the Group as of December 31, 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganization had been in existence as at those dates except for the subsidiaries acquired by the Group and disposed by the Group during the Track Record Period as disclosed in note 36(a) and 36(b) respectively, which are included in the Financial Information taking into account the respective dates of acquisition or of disposal by the Group.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group consistently adopted HKFRSs issued by the HKICPA that are effective for the Group's annual accounting period beginning on January 1, 2013 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new standards, amendments and interpretation which are not yet effective. The Group has not early applied these new standards, amendments and interpretation.

Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2010–2012 Cycle</i> ⁴
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2011–2013 Cycle</i> ²
HKFRS 9	<i>Financial Instruments</i> ³
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
Amendments to HKFRS 9 and HKFRS 7	<i>Mandatory Effective Date of HKFRS 9 and Transition Disclosures</i> ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	<i>Investment Entities</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ⁶
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable methods of Depreciation and Amortisation</i> ⁶
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ²
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i> ¹
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC) - Int 21	<i>Levies</i> ¹

- ¹ Effective for annual periods beginning on or after January 1, 2014.
- ² Effective for annual periods beginning on or after July 1, 2014.
- ³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
- ⁴ Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.
- ⁵ Effective for first annual HKFRS financial statements beginning on or after January 1, 2016.
- ⁶ Effective for annual periods beginning on or after January 1, 2016.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes requirements for classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 required all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods.

All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

HKFRS 9 is available for application and the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finished.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may not have an impact on the amounts reported in respect of the Group's financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the

consolidated statements of profit or loss and other comprehensive income from the date the Company gains controls until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income and expenses, and cash flows relating to the transactions among the members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including any goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving entities under common control in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combination

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standards.

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.

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of an associate or a joint venture are incorporated in the Financial Information using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, investment in an associate or a joint venture are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profits or loss and other comprehensive income of associate and joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of investment, after reassessment, including bargain purchase gain, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Financial information only to the extent of interests in the associate or joint venture that are not related to the Group.

Sales of properties

Revenue from sales of properties in normal course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statements of financial position under current liabilities.

When the completed properties are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generated revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

Investments in subsidiaries

Investments in subsidiaries is included in the Company's statements of financial position at cost less accumulated impairment losses.

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 construction in progress 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. 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 the Group's 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

Property that is being constructed or developed for future use as investment property is classified as investment property. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or construction is completed.

Investment properties are derecognized upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 receivables.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their 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 the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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

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:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains 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 the Group; 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 services fee, property agency fee and other services fee

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

Installation contract revenue

The Group's policy for recognition of revenue from installation contract is described in paragraph headed by "Installation contracts" above.

Sales of properties

Revenue from sales of properties in normal course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statements of financial position under current liabilities.

When the completed properties are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's policy for recognition of revenue from operating leases is described in paragraph headed by "Leasing — The Group as lessor" above.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to the contributions.

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 profit or loss and other 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. The Group's 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 utilised. 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 the Group is 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 utilise 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 the Group expects, 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).

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 accounting policy in respect of impairment losses on tangible and intangible assets below).

Net realizable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale.

Where properties for sale is transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and fair value of that item at the date of transfer is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method. Net realized value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are generally classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets at FVTPL represent those designated as at FVTPL on initial recognition. A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire consolidated contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, payments on behalf of residents, amounts due from a subsidiary, fellow subsidiaries, non-controlling shareholders, an associate and a related party, immediate holding company, restricted bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Impairment loss of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables and payment on behalf of residents, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and payments on behalf of residents, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When trade receivable or payment on behalf of residents considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entity are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost, using the effective interest method.

Redeemable shares

A contract that contains an obligation for the Group to repurchase or redeem its own equity instruments for cash or another financial asset (i.e. redeemable shares) upon the subscriber of the redeemable shares exercising a share put option is classified as a financial liability. The redeemable shares are initially measured at fair value (after adjusting for initial direct cost) and subsequently measured at amortized cost using effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the assets expire, and substantially all the risks and rewards of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Share-based payment transactions***Equity-settled share-based payment transactions******Share options granted to employees***

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (other reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

When share options are exercised, the amount previously recognized in other reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in other reserve will continue to be held in other reserve.

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its 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, the Group estimates 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Company is required to make 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.

Key sources of estimation uncertainty

The following is 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.

Estimated collection rate of property management fee

The Group's revenue from its property management services under lump-sum basis are recognized based on estimated collection rate of property management fee in each of the residential communities managed by the Group. Significant management estimation is required to determine the collection rate of property management fee that can be collected in each of the residential communities, based upon the payment rate of property management fee in each of the residential communities managed by the Group.

Estimated impairment of payments on behalf of residents

The Group has receivables arisen from the payments on behalf of residents from the residential communities under the terms of commission basis in its property management services business. Since these management offices have no separate bank accounts, all transactions related to these management offices are settled through the treasury function of a group entity. The net amount paid on behalf of these management offices in excess of the management fee received from the residents of these residential communities are treated as receivables of the Group. Significant management estimation is required to determine whether the management offices have the ability to settle these receivables due to the Group.

To determine whether there is any objective evidence of impairment loss, the Group takes into consideration a number of indicators, including, among others, subsequent settlement status, historical write-off experience, the financial performance of the residential communities and management fee collection rate of the residential communities in estimating the future cashflows from the residential 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 at December 31, 2011, 2012 and 2013, the carrying amounts of the Group's payments on behalf of residents under commission basis are RMB19,702,000, RMB46,089,000 and RMB43,966,000, respectively.

Estimated impairment of trade receivables

When there is an objective evidence of impairment loss, 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 at December 31, 2011, 2012 and 2013, the carrying amounts of the Group's trade receivables are RMB17,509,000, RMB30,991,000 and RMB57,151,000, respectively, net of allowance for bad and doubtful debt of nil, nil and RMB1,041,000, respectively.

Fair value of completed investment properties

The Group's 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, the management has exercised its judgement 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 in future. As at December 31, 2011, 2012 and 2013, the carrying amounts of investment properties are RMB11,114,000 and RMB12,620,000 and RMB26,758,000, 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 that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representation 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 the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the 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 the results. During the years ended December 31, 2011, 2012 and 2013, the Group has recognized installation contracts revenue amounting to RMB34,098,000, RMB47,716,000 and RMB34,206,000 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 at December 31, 2011, 2012 and 2013, the carrying amount of amounts due from customers for contract works were RMB38,510,000, RMB45,749,000, and RMB43,892,000 respectively as disclosed in note 28.

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 the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by management of the Group, 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 include 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 unfavourable change in facts and circumstances, a material impairment loss may arise. As of December 31, 2011, 2012 and 2013, the carrying amount of goodwill net of accumulated impairment loss was amounted to RMB4,558,000, RMB14,114,000 and RMB50,537,000 respectively.

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its 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 amount of property, plant and equipment at December 31, 2011, 2012 and 2013 were RMB6,292,000, RMB10,357,000, RMB23,513,000, 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 judgement is required in determining the provision for income taxes. Where the final tax outcome and actual tax payment of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the year in which such determination is made.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of borrowings, amounts due to immediate holding company, non-controlling shareholders, fellow subsidiaries, an associate and a joint venture, redeemable shares, net of bank balances and cash, and equity attributable to owners of the Company comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, will balance its overall capital structure through new share issues and the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	381,442	496,349	301,865
Financial assets at FVTPL	—	42,200	—
Financial liabilities			
Amortized cost	349,619	479,322	176,051

THE COMPANY

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables	—	—	35,231
Financial liabilities			
Amortized cost	106	730	8,865

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, amounts due from fellow subsidiaries, non-controlling shareholders, an associate, a related party, and immediate holding company, restricted bank deposits, bank balances and cash, receipts/payments on behalf of residents, trade and other payables, amounts due to non-controlling shareholders, an associate, a joint venture, fellow subsidiaries and immediate holding company, borrowings and redeemable shares. Details of these financial instruments are disclosed in respective notes.

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyzes exposures by degree and magnitude of risks. The risks included market risk (including interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risks due to the fluctuation of the prevailing market interest rate on restricted bank deposits, bank balances and variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest risk is mainly concentrated on the fluctuation of Benchmark Lending Rate of the People's Bank of China ("PBOC") for the bank borrowings.

The Group is 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)). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The management considered that interest rate risk in restricted bank deposits and amount due to a non-controlling shareholder is insignificant.

Sensitivity analysis

Bank balances

The sensitivity analysis below has been determined based on the exposure to interest rate for the bank balances at the end of the reporting period. A 25 basis points increase or decrease during the years ended December 31, 2011 and 2012, and 2013 is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 25 basis points during the Track Record Period and all other variables were held constant, the Group's profit during the Track Record Period would increase/decrease as follow:

At December 31,		
2011	2012	2013
RMB'000	RMB'000	RMB'000
57	49	276

Bank borrowings

The sensitivity analysis below has been determined based on the exposure to interest rate for the variable-rate bank borrowings at the end of the reporting period. A 25 basis points increase or decrease during the years ended December 31, 2011 and 2012, and 2013 is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 25 basis points during the Track Record Period and all other variables were held constant, the Group's profit during the Track Record Period would decrease/increase as follow:

At December 31,		
2011	2012	2013
RMB'000	RMB'000	RMB'000
75	-	-

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising 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.

The Company's maximum exposure to credit risk is arising from the carrying amount of recognized financial assets as stated in the statements of financial position.

In order to minimize the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews 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, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of trade receivables, with exposure spread over a number of customers, e.g. residents in the residential 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, the Group had concentration of credit risk in respective of amounts due from certain fellow subsidiaries and non-controlling shareholders. The details are disclosed in note 42(b). The management of the Group considered that the credit risk of amounts due from fellow subsidiaries is insignificant after considering the historical settlement record, credit quality and financial position of these fellow subsidiaries.

For the amount due from a related party, the Group 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.

The Group had no concentration of credit risk in respect of the payments on behalf of residents from residential communities under commission basis, with exposure spread over a number of residential communities managed by the Group. The payments on behalf of residents from each residential 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, the Group assesses the estimated future cash flow in respect of recovering from payment on behalf of residents from residential communities under commission basis at the end of the reporting period to determine that adequate impairment losses are made. In this regard, the directors of the Company consider that the credit risk in respect of the receivables from residents is significantly reduced.

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

The Company

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

Liquidity risk

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

The Group relies on bank borrowings, amounts due to fellow subsidiaries, and redeemable shares as a significant source of liquidity. As at December 31, 2011, 2012 and 2013, the Group had bank borrowings of approximately RMB40,000,000, nil and RMB377,000 (note 32), had amounts to fellow subsidiaries of RMB249,641,000, RMB356,778,000 and RMB36,719,000 (note 42(b)) and had redeemable shares of nil, nil and RMB6,614,000 (note 33), respectively.

Liquidity and interest risk tables

The following tables detail the Group's and the Company's remaining contractual maturity for its 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 the Group or the Company 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.

THE GROUP

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 years	1 year to 8 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 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
		<u>293,583</u>	<u>56,466</u>	<u>—</u>	<u>—</u>	<u>350,049</u>	<u>349,619</u>
As at 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 (note).	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
		<u>456,530</u>	<u>21,485</u>	<u>233</u>	<u>2,244</u>	<u>480,492</u>	<u>479,322</u>

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 years	1 year to 8 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 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 (note)	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
		<u>146,879</u>	<u>20,967</u>	<u>346</u>	<u>9,197</u>	<u>177,389</u>	<u>176,051</u>

Note:

Except for amount due to Mr. Mu Xiaoming which is unsecured and bears interest of 8.9% per annum, the amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.

THE COMPANY

As at December 31, 2011 and 2012, the financial liability represented amount due to a fellow subsidiary which is unsecured, repayable on demand and interest-free.

The follow table shows the details of financial liabilities as at December 31, 2013:

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 years	1 year to 2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2013							
Amount due to a fellow subsidiary	—	1,631	—	—	—	1,631	1,631
Redeemable shares	12.0%	—	—	—	7,404	7,404	6,614
Amounts due to subsidiaries . .	—	631	—	—	—	631	631
		<u>2,262</u>	<u>—</u>	<u>—</u>	<u>7,404</u>	<u>9,666</u>	<u>8,876</u>

c. *Fair value***Fair values of the Group's financial assets and investment properties that are measured at fair value on a recurring basis**

Certain of the Group's financial assets and the investment properties are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair values as at			Fair value hierarchy
	December 31,			
	2011	2012	2013	
	RMB'000	RMB'000	RMB'000	
Financial assets classified as FVTPL	—	42,200	—	Level 3
Investment properties	11,114	12,620	24,547	Level 3

For the valuation of structured deposits classified as financial assets designed at FVTPL, the valuation is by reference to the discounted cash flows. Key unobservable inputs included expected yields of debt instruments and treasury notes invested by banks and a discount rate that reflects the credit risk of the banks.

The directors consider that the impact of the fluctuation in expected yields of the debt instruments to the fair value of the structured deposits was insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

For the valuation of investment properties, the valuations were arrived at market evidence of transaction prices for similar properties in the same locations and conditions. The unobservable inputs of this valuation technique is the average price of comparable, the ranges of unobservable inputs during the Track Record Period are as follow:

As at	Ranges of comparables per square metre	Average price per square metre
December 31, 2011	RMB3,300—RMB15,000	RMB8,500
December 31, 2012	RMB3,300—RMB24,000	RMB8,400
December 31, 2013	RMB3,500—RMB24,000	RMB7,320

The movements of investment properties of the Group which fair value measurement using significant unobservable inputs are disclosed in note 18 of the Financial Information.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on-a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortized cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values,

Valuation process

The chief financial officer of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data or information provided by counterparty financial institutions to the extent it is available. Where Level 1 inputs are not available or counterparty financial institutions cannot provide sufficient information in relation to fair value, the management of the Group will engage third party qualified valuers to perform the valuation. The chief financial officer reports to management of the Group semi-annually to explain the cause of fluctuations in the fair value of the assets.

8. REVENUE AND SEGMENT INFORMATION

The segment information reported externally was analyzed on the basis of the different services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organization in the Group, whereby the management has chosen to organize the Group around differences in services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group has three reportable and operating segments under continuing operations as follows:

- | | |
|--|--|
| 1. Property management services | — Provision of property management services to primarily residential communities and property management consultancy services provided to other property management companies. |
| 2. Engineering services | — Provision of equipment installation services, repair and maintenance services and equipment leasing. |
| 3. Community leasing, sales and other services | — Provision of common area rental assistance, purchase assistance and residential and retail units rental and sales assistance and provision of property agency services. |

Operating segments regarding other property operation and hotel operation were discontinued in 2011 and 2012 respectively. Details are set out in note 37. The segment information reported below does not include any accounts for these discontinued operations.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of central administration costs, interest income from banks, rental income from investment properties, certain non-recurring income, changes in fair value of investment properties, investment income of financial assets classified as FVTPL, gain on disposal of a subsidiary, impairment loss recognized on goodwill, share of results of an associate and a joint venture, finance costs, and listing expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Inter-segment revenue is charged at prevailing market rates and eliminated on consolidation.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

	Property management services	Engineering services	Community leasing, sales and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2011					
<i>Continuing operations</i>					
External revenue	74,823	46,840	24,840	—	146,503
Inter-segment revenue	—	3,654	21	(3,675)	—
Segment revenue.....	<u>74,823</u>	<u>50,494</u>	<u>24,861</u>	<u>(3,675)</u>	<u>146,503</u>
Segment profit	<u>22,515</u>	<u>7,735</u>	<u>7,530</u>		<u>37,780</u>
Changes in fair value of investment properties					1,087
Share of results of an associate .					360
Share of results of a joint venture					218
Finance costs					(1,092)
Bank interest income					64
Rental income from investment properties					42
Impairment loss recognized on goodwill.....					(870)
Other unallocated income					792
Profit before tax					<u>38,381</u>

	Property management services	Engineering services	Community leasing, sales and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2012					
<i>Continuing operations</i>					
External revenue	104,870	59,494	32,143	—	196,507
Inter-segment revenue	—	2,543	448	(2,991)	—
Segment revenue.....	<u>104,870</u>	<u>62,037</u>	<u>32,591</u>	<u>(2,991)</u>	<u>196,507</u>
Segment profit	<u>27,988</u>	<u>10,250</u>	<u>22,183</u>		<u>60,421</u>
Changes in fair value of investment properties					(86)
Investment income of financial assets classified as FVTPL.....					604
Share of results of an associate .					303
Share of results of a joint venture					173
Finance costs					(582)
Bank interest income					749
Rental income from investments properties					62
Other unallocated expenses.....					<u>(783)</u>
Profit before tax					<u>60,861</u>

	Property management services	Engineering services	Community leasing, sales and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2013					
<i>Continuing operations</i>					
External revenue	136,803	51,623	44,643	—	233,069
Inter-segment revenue	—	4,319	910	(5,229)	—
Segment revenue.....	<u>136,803</u>	<u>55,942</u>	<u>45,553</u>	<u>(5,229)</u>	<u>233,069</u>
Segment profit	<u>39,498</u>	<u>11,533</u>	<u>39,871</u>		<u>90,902</u>
Changes in fair value of investment properties					230
Investment income of financial assets classified as FVTPL					1,420
Share of results of an associate					175
Share of results of a joint venture					265
Finance costs					(630)
Bank interest income					554
Rental income from investment properties					28
Gain on disposal of subsidiaries ..					778
Listing expenses					(22,854)
Other unallocated income					67
Profit before tax					<u>70,935</u>

Other segment information

	Property Management services	Engineering services	Community leasing, sales and other services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2011				
<i>Continuing operations</i>				
Segment information included in the measure of segment profit or segment assets:				
Additions to non-current assets (note)	2,162	2,072	678	4,912
Impairment loss recognized on goodwill	870	—	—	870
Depreciation of property, plant and equipment	513	51	1,292	1,856
(Gain) loss on disposal of property, plant and equipment	(4)	(20)	44	20
Bad debt written off related to other receivables	—	—	2,430	2,430
Impairment loss recognized on payments on behalf of residents under commission basis	1,733	—	—	1,733
Imputed interest income on non-current interest-free trade receivables	—	169	—	169
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Year ended December 31, 2012				
<i>Continuing operations</i>				
Segment information included in the measure of segment profit or segment assets:				
Additions to non-current assets (note)	663	8,665	1,352	10,680
Depreciation of property, plant and equipment	723	80	1,342	2,145
Impairment loss recognized on payments on behalf of residents under commission basis	2,394	—	—	2,394
Imputed interest income on non-current interest-free trade receivables	—	171	—	171
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Property Management services	Engineering services	Community leasing, sales and other services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2013				
<i>Continuing operations</i>				
Segment information included in the measure of segment profit or segment assets:				
Additions to non-current assets (note)	6,222	19,756	5,110	31,088
Bad debt written off related to deposit paid for acquisition of subsidiaries	350	—	—	350
Bad debt written off related to other receivables	590	—	—	590
Bad debt recovery related to other receivables	—	—	(576)	(576)
Amortization of intangible assets	1,189	—	—	1,189
Depreciation of property, plant and equipment	1,985	1,086	858	3,929
Fair value adjustment on non-current interest-free deposit	666	—	—	666
Impairment loss recognized on payments on behalf of residents under commission basis	5,846	—	—	5,846
Impairment loss recognized on — trade receivables	—	—	415	415
— trade receivables — invoice to be issued	—	785	—	785
Imputed interest income on non-current interest-free trade receivables	—	408	—	408
Loss on disposal of property, plant and equipment	1,846	—	—	1,846

Note:

Additions to non-current assets comprise additions to property, plant and equipment and investment properties, and exclude additions to interests in an associate and a joint venture, prepayments, trade and other receivables, deferred tax assets, deposits paid for acquisition of subsidiaries and goodwill.

Revenue from major services

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<i>Continuing operations</i>			
<u>Property management services</u>			
Property management services fee under commission basis	28,534	34,970	64,494
Property management services fee under lump sum basis	33,311	39,044	34,744
Pre-sale services	12,978	30,856	37,037
Consultancy services fee.....	—	—	528
<u>Engineering services</u>			
Installation service fees from provision of engineering services	34,098	47,716	34,206
Services fee from provision of repair and maintenance services	12,742	11,592	14,788
Equipment leasing income	—	186	2,629
<u>Community leasing, sales and other services</u>			
Community rental, purchase and sales assistance services	20,862	29,436	44,643
Agency fee from provision of property agency services	3,978	2,707	—
	<u>146,503</u>	<u>196,507</u>	<u>233,069</u>

Geographical information

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are located in the PRC.

Information about major customers

During the years ended December 31, 2011, 2012 and 2013, the subsidiaries of Fantasia Holdings, other than entities comprising the Group on an aggregated basis, contributed over 10% of the total sales of the Group which involved in property management services segment and engineering service segment (note 42(c)). Save as disclosed, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

9. OTHER GAINS AND LOSSES AND OTHER INCOME

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<i>Continuing operations</i>			
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)
	<u>(4,152)</u>	<u>(2,312)</u>	<u>(10,122)</u>
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
	<u>475</u>	<u>1,586</u>	<u>4,289</u>

* Direct operating expense incurred for investment properties that generated rental income during the Track Record Period were insignificant.

10. FINANCE COSTS

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<i>Continuing operations</i>			
Interest on:			
Bank borrowings wholly repayable within five years	(1,092)	(499)	(59)
Amount due to a non-controlling shareholder of a subsidiary wholly repayable more than five years (note 42(b)&(c))	—	(83)	(135)
Redeemable shares repayable within five years (note 33)	—	—	(436)
	<u>(1,092)</u>	<u>(582)</u>	<u>(630)</u>

11. INCOME TAX EXPENSE

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<i>Continuing operations</i>			
Current tax			
PRC Enterprise Income Tax ("EIT")	(14,490)	(16,340)	(27,596)
Deferred tax (note 24)			
Current year	(439)	344	2,129
	<u>(14,929)</u>	<u>(15,996)</u>	<u>(25,467)</u>

No provision for Hong Kong Profits Tax has been made in the Financial Information as the income of the Group neither arises in nor is derived from Hong Kong during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No. 39) 《國務院關於實施企業所得稅過渡優惠政策的通知》, the tax concessions for Shenzhen Colour Life Property Management, Shenzhen Kaiyuan Tongji and Robert Housekeeper are still applicable under the EIT Law as both entities are enterprises with business licenses dated prior to March 16, 2007. The applicable tax rates for Shenzhen Colour Life Property Management, Shenzhen Kaiyuan Tongji and Robert Housekeeper for the year ended December 31, 2011 is therefore 24%. The applicable tax rates for Shenzhen Colour Life Property Management and Shenzhen Kaiyuan Tongji for the year ended December 31, 2012 and 2013 is 25%.

Deferred tax has not been provided for in the Financial Information in respect of the tax effect of temporary differences attributable to the accumulated PRC undistributed earnings of the Group as at December 31, 2011, 2012 and 2013 amounting to approximately RMB21 million, RMB75 million and RMB143 million, respectively as the Company is 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 year 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 (note)	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

Note:

Expenses not deductible for tax purpose for the year ended December 31, 2011 mainly represents the sub-contracting costs incurred in engineering services segment with no tax invoices for deduction purpose. During the years ended December 31, 2011 and 2012, expenses not deductible also included welfare and entertainment expenses exceeding the tax deduction limits under the EIT law and write-off of receivables without tax authority approval. For the year ended December 31, 2013, the expenses not deductible 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.

For certain group entities engaged in property management services (the "PM Entities"), pursuant to relevant local tax regulations in the PRC, the Group has elected to file combined tax return for the PM Entities incorporating assessable profit and tax losses attributable to the PM Entities as well as certain communities which are managed by the PM Entities under commission basis. As a result of such arrangement, the Group is able to temporarily utilize tax losses of loss making communities, resulting in deferral of payment of certain provision.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the directors and the chief executive of the Company during the Track Record Period are as follow:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Directors' fee	—	—	—
Other emoluments			
— salaries and other benefits	437	438	1,091
— discretionary bonus	177	177	—
— contributions to retirement benefits scheme	30	43	31
— share-based payment	40	87	182
	<u>684</u>	<u>745</u>	<u>1,304</u>

The emoluments of the directors and chief executive are as follows:

	Fee	Salaries and other benefits	Discretionary Bonus	Retirement benefit scheme contribution	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note 1)	RMB'000
Year ended December 31, 2011						
Executive directors						
Mr. Tang Xuebin	—	248	101	15	32	396
Mr. Dong Dong	—	189	76	15	8	288
Non-executive director						
Mr. Pan Jun	—	—	—	—	—	—
	<u>—</u>	<u>437</u>	<u>177</u>	<u>30</u>	<u>40</u>	<u>684</u>
Year ended December 31, 2012						
Executive directors						
Mr. Tang Xuebin	—	249	101	22	67	439
Mr. Dong Dong	—	189	76	21	20	306
Non-executive directors						
Mr. Pan Jun	—	—	—	—	—	—
Mr. Lam Kam Tong (Note 2)	—	—	—	—	—	—
	<u>—</u>	<u>438</u>	<u>177</u>	<u>43</u>	<u>87</u>	<u>745</u>
Year ended December 31, 2013						
Executive directors						
Mr. Tang Xuebin	—	351	—	5	134	490
Mr. Dong Dong	—	264	—	5	48	317
Mr. Zhou Qinwei (Note 3)	—	476	—	21	—	498
Non-executive directors						
Mr. Pan Jun	—	—	—	—	—	—
Mr. Lam Kam Tong (Note 2)	—	—	—	—	—	—
	<u>—</u>	<u>1,091</u>	<u>—</u>	<u>31</u>	<u>182</u>	<u>1,304</u>

Notes:

- (1) Mr. Pan Jun and Mr. Lam Kam Tong are employed by Fantasia Holdings, the ultimate holding company, and Mr. Pan Jun and Mr. Lam Kam Tong are executive directors of Fantasia Holdings, and also non-executive directors of the Company, Mr. Pan Jun and Mr. Lam Kam Tong have held various position in Fantasia Holdings and its subsidiaries and it is unable to allocate their share-based payment expenses among Fantasia Holdings and its subsidiaries. Therefore, related share-based payment expenses related to Mr. Pan Jun and Mr. Lam Kam Tong are borne by Fantasia Holdings.
- (2) Mr. Lam Kam Tung was appointed as a director of the Company on October 31, 2012.
- (3) Mr. Zhou Qinwei was appointed as a director of the Company on April 25, 2014.

Mr. Tang Xuebin is the Chief Executive of the Company, and his emoluments disclosed above include those for services rendered by him as Chief Executive during the Track Record Period.

Discretionary bonus is determined by reference to the performance of individuals and market trend.

The five highest paid individuals of the Group included 2 directors for the years ended December 31, 2011 and 2012, and 3 directors for the year ended December 31, 2013. The remunerations of the remaining 3 individuals for the years ended December 31, 2011 and 2012 and the remaining 2 individuals for the year ended December 31, 2013, which were individually less than HK\$1,000,000 are as follow:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Employees			
— salaries and other benefits	793	796	1,074
— contributions to retirement benefits scheme	46	64	137
— share-based payment	25	60	94
	<u>864</u>	<u>920</u>	<u>1,305</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments during the Track Record Period.

13. PROFIT FOR THE YEAR

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<i>Continuing operations</i>			
Profit has been arrived at after charging:			
Directors' remuneration			
(note 12)	684	745	1,304
Other staff's salaries and allowance	40,882	55,838	64,054
Retirement benefits scheme contributions	2,777	5,879	5,943
Share-based payment expenses.....	34	80	188
Total staff costs	44,377	62,542	71,489
Auditors' remuneration	19	29	54
Amortization of intangible assets	—	—	1,189
Depreciation for property, plant and equipment	1,856	2,145	3,929

14. DIVIDENDS

No dividend has been paid or proposed by the Company during the years ended December 31, 2011, 2012 and 2013.

No dividend has been paid or proposed by Ace Link during the year ended December 31, 2011.

Prior to the completion of Reorganisation, Shenzhen Colour Life had declared dividend in an amount of RMB 3,955,000 to its non-controlling shareholders during the year ended December 31, 2011.

15. EARNINGS PER SHARE**From continuing and discontinued operations**

The calculation of basic and diluted earnings per share from continuing and discontinued operations and 750,000,000 ordinary shares in issue during the Track Record Period are based on the assumption that the Reorganization and the capitalization issue as detailed in "History, Reorganization and the Group Structure" in the Prospectus and Section C below has been effective on January 1, 2011.

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

From continuing and discontinued operations

	Year ended December 31,		
	2011	2012	2013
Earnings (RMB'000)			
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company).....	6,652	43,432	44,368
Number of shares ('000)			
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ...	719,938	719,938	734,317

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company are based on the following data:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Earnings			
Profit for the year attributable to the owners of the Company	6,652	43,432	44,368
Less:			
Loss for the year from discontinued operations	(13,060)	(529)	—
Profit for the purpose of basic and diluted earnings per share from continuing operations	19,712	43,961	44,368

The denominators used are the same as those details above for basic earnings per share from continuing and discontinued operations.

From discontinued operations

Basic and diluted loss per share from the discontinued operations is RMB1.81 cents, RMB0.07 cents and nil per share for the years ended December 31, 2011, 2012 and 2013, respectively.

The calculation of basic and diluted loss per share from discontinued operations attributable to the owners of the Company is based on the following data:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Loss for the year from discontinued operations	(13,060)	(529)	—

The denominators used are the same as those details above for basic and diluted earnings per share from continuing and discontinued operations.

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.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At January 1, 2011	4,099	7,051	5,422	93	16,665
Additions	187	1,198	766	364	2,515
Transfer	93	—	—	(93)	—
Disposal	—	(296)	(65)	—	(361)
Disposal of a subsidiary	—	(112)	(5,208)	—	(5,320)
At December 31, 2011	4,379	7,841	915	364	13,499
Additions	43	1,127	109	4,889	6,168
Acquisitions of subsidiaries					
(note 36(a))	—	42	—	—	42
Transfer	—	516	—	(516)	—
At December 31, 2012	4,422	9,526	1,024	4,737	19,709
Additions	1,072	2,499	607	13,002	17,180
Acquisitions of subsidiaries					
(note 37(a))	—	2,856	—	—	2,856
Transfer	—	6,331	—	(6,331)	—
Disposal	(948)	(5,926)	(203)	—	(7,077)
Disposal of subsidiaries	(4)	(623)	(427)	—	(1,054)
At December 31, 2013	4,542	14,663	1,001	11,408	31,614

	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ACCUMULATED DEPRECIATION					
At January 1, 2011	1,077	4,382	691	—	6,150
Provided for the year	544	1,287	530	—	2,361
Eliminated on disposal	—	(206)	(56)	—	(262)
Eliminated on disposal of a subsidiary	—	(52)	(990)	—	(1,042)
At December 31, 2011	1,621	5,411	175	—	7,207
Provided for the year	755	1,198	192	—	2,145
At December 31, 2012	2,376	6,609	367	—	9,352
Provided for the year	959	2,798	172	—	3,929
Eliminated on disposal	(778)	(3,870)	(203)	—	(4,851)
Eliminated on disposal of subsidiaries	(4)	(267)	(58)	—	(329)
At December 31, 2013	2,553	5,270	278	—	8,101
CARRYING VALUES					
At December 31, 2011	2,758	2,430	740	364	6,292
At December 31, 2012	2,046	2,917	657	4,737	10,357
At December 31, 2013	1,989	9,393	723	11,408	23,513

The above items of property, plant and equipment other than the construction in progress are depreciated on a straight-line basis over the following period:

Leasehold improvement.....	3–10 years
Furniture, fixtures and equipment.....	5 years
Motor vehicles.....	5–10 years

17. INTANGIBLE ASSETS

THE GROUP

	Property management contracts
COST	
At January 1, 2013	—
Acquired on acquisition of subsidiaries and at December 31, 2013 (note 36(a))	1,813
Amortization	
At January 1, 2013	—
Provided for the year and at December 31, 2013.....	(1,189)
CARRYING VALUE	
At December 31, 2013.....	624

The property management contracts were acquired from third parties through the acquisition of subsidiaries during the year ended December 31, 2013.

The intangible assets have finite useful lives and amortized on a straight line basis over the remaining contract term ranging from 6 months to 30 months.

18. INVESTMENT PROPERTIES

THE GROUP

	Completed investment properties measured at fair value	Investment properties under development measured at cost	Total
	RMB'000	RMB'000	RMB'000
FAIR VALUE OR COST			
At January 1, 2011	71,320	54,943	126,263
Additions	2,427	1,982	4,409
Disposal of subsidiaries (note 36(b))	(71,655)	(56,925)	(128,580)
Net increase in fair value recognized in profit or loss .	839	—	839
Transfer from properties held for sale	8,183	—	8,183
At December 31, 2011	11,114	—	11,114
Additions	4,512	—	4,512
Disposals	(2,920)	—	(2,920)
Net decrease in fair value recognized in profit or loss	(86)	—	(86)
At December 31, 2012	12,620	—	12,620
Additions	13,908	—	13,908
Net increase in fair value recognized in profit or loss .	230	—	230
At December 31, 2013	26,758	—	26,758

The fair values of the Group's completed investment properties at December 31, 2011, 2012 and 2013 have been arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent qualified professional valuers not connected with the Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has employed members of the Hong Kong Institute of Surveyors and its office is located on 6/F, Three Pacific Place, 1 Queen's Road East, Hong Kong. The valuations of completed investment properties were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate.

At January 1, 2011, the fair value of investment properties under development with carrying amounts of approximately RMB54,943,000 cannot be reliably determined, therefore, the investment properties under development was measured at cost until either its fair value becomes reliably determinable or development is completed. The properties were disposed of during the year ended December 31, 2011 upon the disposal of subsidiaries.

During the year ended December 31, 2011, properties held for sale with carrying amount of RMB5,606,000 were transferred to investment properties upon the signing of relevant rental agreement. The excess of fair value amounting to RMB2,577,000 were recognized in profit and loss and classified under discontinued operations.

The investment properties are held under medium term of lease in the PRC. They are not held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and therefore the presumption to recover entirely through sale is not rebutted.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY		
	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	1	623	623

As at December 31, 2011, the investment cost represented 1 ordinary share of US\$100 in Ace Link invested by the Company. Ace Link has been disposed of by the Company in April 2013 and ceased to be a subsidiary of the Company.

As at December 31, 2012, in addition to the investment cost in Ace Link, the Company further invested US\$50,000 each into Colour Cloud Holdings and Colour Pay Treasure.

In January 2013, the Group acquired Tong Yuan from an independent third party at a consideration of US\$100 (in equivalent to RMB622), and Tong Yuan became a directly wholly-owned subsidiary of the Company.

As at December 31, 2013, the investment cost represented 1 ordinary share of US\$100 in Tong Yuan and US\$50,000 each in Colour Cloud Holdings and Colour Pay Treasure invested by the Company.

20. INTEREST IN AN ASSOCIATE

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	500	500	500
Share of post-acquisition results, net of dividends received	453	432	607
	953	932	1,107

The Group's interest in an associate is as follows:

Name of entity	Place of establishment and operation	Registered capital	Proportion of registered capital and voting power held by the Group				Principal activity
			At December 31,			At date of the report	
			2011	2012	2013		
深圳市越眾物業管理有限公司 Shenzhen Yuezhong Property Management Co., Ltd.* ("Shenzhen Yuezhong Property Management") (note)	PRC	RMB1,000,000	50%	50%	50%	50%	Provision of property management services

* The English name is for identification purpose only

Note:

Pursuant to the shareholder agreement, the Group has the right to cast 50% of the votes of Shenzhen Yuezhong Property Management at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Yuezhong Property Management. Other than the Group, Shenzhen Yuezhong Property Management has two other shareholders which hold the remaining equity interest in Shenzhen Yuezhong Property Management of 40% and 10% respectively. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting. Therefore, Shenzhen Yuezhong Property Management is accounted for as an associate of the Group.

Summarized financial information prepared in accordance with HKFRSs in respect of the Group's associate is set out below.

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Non-current assets	124	105	8
Current assets	5,689	6,622	9,201
Total assets	5,813	6,727	9,209
Current liabilities	(3,907)	(4,863)	(6,995)
Net assets	1,906	1,864	2,214
Group's share of net assets	953	932	1,107
	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	974	1,438	1,765
Profit for the year	720	606	350
Group's share of profit of an associate	360	303	175
Dividend received from an associate	313	324	—

21. INTEREST IN A JOINT VENTURE

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	250	250	250
Share of post-acquisition results, net of dividends received	35	53	318
	<u>285</u>	<u>303</u>	<u>568</u>

The Group's interest in a joint venture is as follow:

Name of entity	Place of establishment and operation	Registered capital	Proportion of registered capital and voting power held by the Group				Principal activities
			At December 31,			At date of the report	
			2011	2012	2013		
桂林市同濟樓宇科技工程安裝有限公司 Guilin Tongji Building Science Technology Engineering Installation Co., Ltd.* ("Guilin Tongji")	PRC	RMB500,000	50%	50%	50%	50%	Provision of engineering services

* The English name is for identification only.

Pursuant to the shareholder agreement, the Group and 桂林市振安物業服務有限公司 Guilin Zhenan Property Service Co., Ltd.* ("Guilin Zhenan") each held 50% equity interest in Guilin Tongji. The board of directors of Guilin Tongji, the governing body which directs the relevant activities that significantly affects the returns of Guilin Tongji, consists of two directors of which the Group and Guilin Zhenan can appoint one director each to the board of directors. The approval of the relevant activities requires a simple majority of directors' votes. Therefore, Guilin Tongji is jointly controlled by the Group and Guilin Zhenan. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of Guilin Tongji, it is accounted for as a joint venture of the Group.

Summarized financial information in respect of the Group's joint venture prepared in accordance with HKFRSs is set out below:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	896	1,095	1,833
Non-current assets	1	—	—
Current liabilities	327	489	697

The above amounts of assets and liabilities include the following:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash and cash equivalent	647	287	29
Current financial liabilities	135	62	226
	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	1,736	1,451	4,426
Profit for the year	436	346	530
Group's share of results of a joint venture	218	173	265
Dividends received from a joint venture	79	155	—

The above profit for the year include the following:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Income tax expense	59	115	196

Reconciliation of the summarized financial information presented to the carrying amount of the Group's interest in the joint venture with proportion of voting power held by the Group of 50%:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net assets of the joint venture	570	606	1,136
Carrying amount of the Group's interest in the joint venture	285	303	568

22. GOODWILL AND IMPAIRMENT TEST ON GOODWILL

THE GROUP

	<u>RMB'000</u>
COST	
At January 1, 2011	4,558
Arising on acquisition of business during the year (note 36 (a))	<u>870</u>
At December 31, 2011	5,428
Arising on acquisition of business during the year (note 36 (a))	<u>9,556</u>
At December 31, 2012	14,984
Arising on acquisition of business during the year (note 36 (a))	<u>36,423</u>
At December 31, 2013	<u><u>51,407</u></u>
IMPAIRMENT	
Impairment loss recognized in 2011 and balance at December 31, 2011, 2012 and 2013	<u><u>870</u></u>
CARRYING VALUES	
At December 31, 2011	<u><u>4,558</u></u>
At December 31, 2012	<u><u>14,114</u></u>
At December 31, 2013	<u><u>50,537</u></u>

For the purpose of impairment testing, goodwill above has been allocated to a group of communities managed by the Group collectively as the property management cash-generating units ("Property Management CGU").

An impairment loss of RMB870,000 is recognized during the year ended December 31, 2011.

During the year ended December 31, 2012 and 2013, management of the Group determined that there is no impairment of its Property Management CGU containing goodwill arising from the acquisition of businesses.

The recoverable amount of the Property Management CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by management covering a 5-year period and at a discount rate of 15% per annum. The cash flows beyond the five-year period are extrapolated using a growth rate of 0%.

Cash flow projections during the budget period for the Property Management CGU are based on management's estimate of cash inflows/outflows including revenue, gross profit, operating expenses and working capital requirements. The assumptions and estimation are based on the Property Management CGU past performance and management's expectation of market development.

23. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

During the year ended December 31, 2011, the Group made deposits to independent third parties of approximately RMB4,484,000 in relation to the acquisitions of Qinhuangdao Hongtianyuan Property Service, Tieling Zhengnan Property Management, Shaanxi Liantang Property Service, Shenyang Jixiang Baite Property Service and 上海通翼物業有限公司 (Shanghai Tongyi Property Co., Ltd. or "Shanghai Tongyi Property").

During the year ended December 31, 2012, the acquisitions of Tieling Zhengnan Property Management and Shaanxi Liantang Property Service have been completed. Details of the acquisitions are set out in note 36(a).

As at December 31, 2012, the Group made deposits to independent third parties of approximately RMB8,678,000 in relation to the acquisitions of Nanjing Mingcheng Property Management, Shanghai Tongyi Property, Qinhuangdao Hongtianyuan Property Service, Nanjing Huitao Property Management and Shenyang Jixiang Baite Property Service.

During the year ended December 31, 2013, the acquisitions of Nanjing Mingcheng Property Management, Qinhuangdao Hongtianyuan Property Service and Nanjing Huitao Property Management were completed. Details of the acquisitions are set out in note 36(a).

For the acquisitions of Shanghai Tongyi Property and Shenyang Jixiang Baite Property Service, the Group determined not to further proceed on the transactions. For the deposit paid for the acquisition of Shanghai Tongyi Property of RMB860,000, the deposit has been refunded during the year ended December 31, 2013. For the deposit paid for the acquisition of Shenyang Jixiang Baite Property Service of RMB350,000, the Group expected the amount may not be recoverable and therefore the Group has written off the deposit and charged the loss to profit or loss for the year ended December 31, 2013 and included in other gains and losses.

24. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the Track Record Period:

	Tax losses	Allowance on doubtful debt	Temporary difference on long-term receivables and others	Land appreciation tax provision	Fair value adjustment of investment properties	Intangible assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	1,907	628	—	57,270	(15,314)	—	44,491
(Charge) credit to profit or loss	(115)	433	(338)	(147)	(272)	—	(439)
Disposal of subsidiaries (note 36(b))	(978)	—	—	(57,123)	15,368	—	(42,733)
At December 31, 2011	814	1,061	(338)	—	(218)	—	1,319
(Charge) credit to profit or loss	(814)	940	—	—	218	—	344
At December 31, 2012	—	2,001	(338)	—	—	—	1,663
Acquisition of subsidiaries	—	—	—	—	—	(453)	(453)
Credit (charge) to profit or loss	—	1,847	42	—	(57)	297	2,129
At December 31, 2013	—	3,848	(296)	—	(57)	(156)	3,339

For the purpose of presentation in the Financial Information, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deferred tax assets	1,875	2,001	3,848
Deferred tax liabilities	(556)	(338)	(509)
	1,319	1,663	3,339

At December 31, 2011, 2012 and 2013, the Group had unutilized tax losses of approximately RMB5,686,000, RMB3,412,000 and RMB4,449,000, respectively. A deferred tax asset has been recognized in respect of approximately RMB3,256,000, nil and nil as of December 31, 2011, 2012 and 2013, respectively of such tax losses.

No deferred tax asset has been recognized in respect of the remaining tax losses of RMB2,430,000, RMB3,412,000 and RMB4,449,000 as of December 31, 2011, 2012 and 2013, respectively, due to the unpredictability of future profits streams.

Pursuant to the relevant laws and regulations in the PRC, tax losses at the end of the reporting period will expire in the following years:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
2013	3,583	—	—
2014	1,484	1,484	—
2015	—	—	—
2016	619	619	—
2017	—	1,309	269
2018	—	—	4,180
	<u>5,686</u>	<u>3,412</u>	<u>4,449</u>

At December 31, 2011, 2012 and 2013, the Group had deductible temporary difference of approximately RMB9,930,000, RMB11,416,000 and RMB19,921,000, respectively. A deferred tax asset has been recognized in respect of approximately RMB7,500,000, RMB8,004,000 and RMB15,472,000, respectively as at December 31, 2011, 2012 and 2013. No deferred tax asset has been recognized for the remaining amounts of RMB2,430,000, RMB3,412,000 and RMB4,449,000, respectively, as at December 31, 2011, 2012 and 2013, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

25. INVENTORIES

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Consumables	—	1,274	200

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group

	At 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
Invoice to be issued (notes 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 (note 3)	—	—	5,334
Other deposits	6,186	6,190	6,993
Loan receivables (note 4)	—	1,500	—
Advance to a customer (note 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 on behalf of Caizhijia	—	53	2,077
Other prepayments	1,908	3,150	3,664
Payments on behalf of residents under lump sum basis (note 6)	5,460	8,765	5,366
Payment on behalf of residents for residential communities under consultancy service arrangements (note 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
Classified as:			
— Non-current			
Trade receivables (note 8)	7,092	9,416	7,585
Other receivables and prepayments (note 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, of which they are mainly the residential communities managed by the Group, the Group allows the customers to settle the installation fee over a 48-month interest-free period. According to the agreements between the Group and the customers, the energy-saving systems are installed in these residential communities and the Group would bill the residential communities at the end of each month over the 48-months period. The unbilled installation revenue is discounted at an effective interest rate of 8.3%, 8.3% and 8.3% per annum for the years ended December 31, 2011, 2012 and 2013. Upon meeting the revenue recognition criteria, installation revenue/agency fee income recognized prior to the issuance of invoice is recognized as "invoice to be issued" in the consolidated statement of financial position.
2. The Group entered into agency service agreement for providing rental information to 深圳市彩之家房地產策劃有限公司, Shenzhen Caizhijia Real Estate Planning Co., Ltd. ("Caizhijia"), an independent third party. According to the agreement entered into between the Group and Caizhijia, the agency services provided by the Group to Caizhijia in each year will be determined and finalized between both parties at the end of each year, and the Company will bill the agency fee payable by six equal installments from July to December of the following year. In addition, the Company also entered into an agreement to allow Caizhijia to use its online rental information platform. The Company will bill Caizhijia twelve months after the end of each reporting period on the trade receivables in relation to the usage of online rental information platform by Caizhijia. Upon meeting the revenue recognition criteria, agency fee and online platform usage fee income recognized prior to issuance of invoice is recognized in the consolidated statements of financial position as invoice to be issued.
3. The balance represented the present value of the RMB6,000,000 deposit paid in relation to the consultancy service arrangements entered with a property management company. The deposit will be refunded to the Group in 2016, and the balance is recorded as a non-current deposit as of December 31, 2013.
4. In January 2012, the Group 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 into between the Group and Caizhijia, the amount advanced to Caizhijia is unsecured, interest-bearing at 10% per annum over the financing period. The loan advanced to Caizhijia has been settled by Caizhijia in 2013.
5. During the year ended December 31, 2011, the Group advanced a sum of RMB5,752,000 to a third party customer, 深圳市龍興世紀投資有限公司, Shenzhen Long Xing Century Investment Co., Limited ("Shenzhen Long Xing") under the Engineering Services Segment. The directors expected the advance to be settled by Shenzhen Long Xing by May 2014. In May 2013, the Group entered a supplementary agreement with Shenzhen Long Xing, whereby RMB3,500,000 out of the total advance due from Shenzhen Long Xing is unsecured and interest bearing of 0.52% per month for a twelve-months period commencing in May 2013. The remaining balance is unsecured, interest-free and would be settled by Shenzhen Long Xing by May 2014. During the years ended December 31, 2012 and 2013, Shenzhen Long Xing has settled RMB500,000 and RMB3,500,000, respectively, towards the total outstanding amount to the Group.
6. The balance represented the utilities 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 will be re-charged to the residents at rate pre-determined between the Group and the residents.
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, the Group would manage the treasury functions of these management offices, and all transactions of these management offices were settled through the treasury function of the group 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 customers will be made after twelve months from the end of each reporting period, which is based on the expiry of the retention period.
9. Other receivables and prepayments classified as non-current represented the following:
 - (a) Prepayments for acquiring investment properties whereby the properties ownership have not yet passed to the Group as at December 31, 2011 and 2012.
 - (b) An advance made to Shenzhen Long Xing as mentioned in note 5, of which the Group expects certain settlement from the customer will be made after twelve months from the end of the year 2011 and 2012.
 - (c) Deposit paid which will be refunded to the Group in 2016 in relation to the consultancy service arrangements entered with a property management company.

Trade receivables are mainly arisen from management and service income under lump sum basis from property management services, installation contract income and automation equipment upgrade services income from engineering services and service income from community leasing, sales and other services.

Management and service fee income under lump sum basis from property management services are received in accordance with the terms of the relevant property service agreements. Service income from property management services are due for payment by the residents upon the issuance of demand note, the receiving pattern of the management and service income from property management services are normally within 30 days to 1 year after the issuance of demand note to the residents. Each customer from the property management services has a designated credit limit.

Installation service fee and automation equipment upgrade service income from engineering services are received in accordance with the terms of the relevant installation contract agreements, normally within 30 to 90 days from the issuance of payment requests.

Service income from community leasing, sales and other services is due for payment upon the issuance of demand note.

Certain trade receivables in relation to the installation work of energy-saving lighting systems from engineering services are under 48-month interest-free instalment sales contracts entered with customers. The credit period is normally within 90 days from the issuance of payment requests.

The following is an aging analysis of trade receivables presented based on the invoice date or date of demand note at the end of each reporting periods, which approximated to the respective revenue recognition date, except for trade receivables from engineering services and trade receivables from agency service provided to Caizhijia, of which the invoice date represented the payment due date:

	At 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 1 year	374	123	3,165
	9,421	20,486	41,453

For the engineering services and community leasing, sales and other services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

In determining the recoverability of trade receivables from the property management services, the Group estimates the recoverable amount of property management fee in each residential communities managed by the Group. Considering the residents are living in these residential communities managed by the Group, together with good collection record from the residents and subsequent settlement, in the opinion of the directors of the Company, the trade receivables from property management services are of good credit quality and no impairment allowance is necessary in respect of the remaining unsettled balances.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB5,067,000, RMB14,780,000 and RMB34,842,000 at December 31, 2011, 2012 and 2013, respectively, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of past due but not impaired trade receivables

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
0-90 days	4,285	10,645	15,999
91-180 days	409	3,406	9,715
181-365 days	373	623	6,360
Over 365 days	—	106	2,768
	<u>5,067</u>	<u>14,780</u>	<u>34,842</u>

In determining the recoverability of trade receivable - invoice to be issued in relation to the installation work of energy-saving lighting systems from engineering services under 48-month interest-free instalment sales contracts entered with customers, the Group's estimation of recoverability is with reference to the expected drop-out rate of the residential communities managed by the Group. Considering if a residential community has terminated the property management agreement with the Group, the directors considered the relevant trade receivables invoice to be issued in relation to the installation work of energy-saving lighting system may be uncollectible, and impairment allowance is provided accordingly.

Movement in the allowance for doubtful debts

	At 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	<u>—</u>	<u>—</u>	<u>1,041</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of nil, nil and RMB1,041,000, with reference to the historical experience of these receivables, the collection of these receivables may not be recoverable. The Group does not held any collateral over these balances.

The Company

The balance of the Company as at December 31, 2013 represented the deferred listing expenses.

27. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Receivables	19,702	46,089	43,966
Payables	(30,607)	(77,700)	(96,804)

The balances represent the current accounts with the property management offices of residential communities managed by the Group under the terms of commission basis. These management offices of residential communities usually have no separate bank accounts because these property management offices have no separate legal identity. For the daily management of these property management offices of the residential communities, all transactions of these management offices, including the collection of property management fees and the settlement of daily expenditures, were settled through the treasury function of group entities. A net receivable balance from the property management office of the residential community represents expenditures paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of that residential community. A net payable balance to the property management office of the residential community represents property management fee collected from residents of the residential community in excess of the expenditure paid by the Group on behalf of the residential communities.

Movements of allowance for doubtful debts

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

In determining the recoverability of the payments on behalf of residents under commission basis, the management of the Group reviews the cash receipts from residents of respective property management office during each period in order to assess the collectability of payments on behalf of residents under commission basis.

At the end of each reporting period, the Group made specific allowance for payments on behalf of residents which the respective communities terminated or expected to terminate the property management agreement with the Group. Based on the management evaluation of collectability of each receivable, management will provide full allowance on those receivables due from terminated communities as historical experience shown that these receivables from terminated communities may not be recoverable from termination.

In addition, at the end of each reporting period, the Group made allowance for payments on behalf of residents of communities with poor financial performance based on an evaluation of the collectability of the receivables from these management offices. With reference to the historical experience of these receivables, the collection of these receivables may not be fully recoverable. Accordingly, the Group made allowance on these poor financial performance management offices on a collectively basis.

28. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contracts in progress at the end of the reporting period			
Contract costs incurred plus recognized profits less recognized losses	98,131	123,275	133,956
Less: progress billing	(61,623)	(78,142)	(92,848)
	<u>36,508</u>	<u>45,133</u>	<u>41,108</u>
Represented by:			
Amounts due from contract customers within 1 year	38,510	45,749	43,892
Amounts due to contract customers within 1 year	(2,002)	(616)	(2,784)
	<u>36,508</u>	<u>45,133</u>	<u>41,108</u>

Retentions held by customers for contract works for installation contracts was included in trade receivables at December 31, 2011, 2012 and 2013.

No significant advance was received from customers prior to commencement of contract works at December 31, 2011, 2012 and 2013.

29. FINANCIAL ASSETS CLASSIFIED AS FVTPL

THE GROUP

At December 31, 2012, the Group entered into several contracts of structured deposits with banks. The return and principal were not guaranteed by the relevant banks and the return was determined by reference to the performance of certain PRC government debt instruments and treasury notes. The entire contracts have been designated as at financial assets classified as FVTPL on initial recognition. The expected return rate stated in the contracts ranges from 2.3% to 4.4% per annum at December 31, 2012.

In the opinion of the directors of the Company, the fair values of the structured deposits at December 31, 2012 approximated their principal amounts. All of the structured deposits held by the Group as at December 31, 2012 and acquired in 2013 have been settled at their principal amounts together with returns which approximated the expected return in 2013.

30. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

THE GROUP

The Group's bank balances carry interest at rates which range from 0.5% to 1.5% per annum, 0.5% to 1.5% per annum and 0.5% to 1.5% per annum as at December 31, 2011, 2012 and 2013, respectively.

During the year ended December 31, 2012, 深圳市布吉供水有限公司 (Shenzhen Buji Water Supplies Co., Ltd or "Shenzhen Buji Water Supplies") initiated a legal proceeding in Shenzhen Longgang District People's Court (the "Relevant Court") against Shenzhen Colour Life Property Management in relation to a water supply contract. The total amount RMB10,900,000, which included alleged non-payment of RMB2,600,000 and alleged late payment penalty and interest of RMB8,300,000. The Relevant Court has made a notice to a bank to freeze a bank deposit of approximately RMB997,000 of Shenzhen Colour Life Property Management to secure the payment of the water supply fee to Shenzhen Buji Water Supplies. The bank deposits of RMB997,000 were yet to unfreeze as at December 31, 2012 and December 31, 2013. Up to the date of this report, the outcome of the legal proceeding is yet to be finalized. The Group and its legal counsel are strongly resisting this claim and the amount of compensation cannot be reliably measured at this stage, accordingly, no provision for any potential liability has been made in the Financial Information. Please refer to note 45 for the disclosure of contingent liabilities.

31. TRADE AND OTHER PAYABLES AND ACCRUALS

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payables	16,036	21,444	20,851
Other payables and accruals:			
Receipts on behalf of residents under lump sum basis.....	6,302	11,919	6,478
Receipts on behalf of residents for residential communities under consultancy services arrangement	—	—	3,327
Consideration payable related to acquisition of subsidiaries	600	2,456	—
Accrued listing expenses	—	—	20,972
Advances from customers	2,457	3,686	11,416
Deposits received	5,841	6,452	15,314
Other tax 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
	<u>34,412</u>	<u>49,290</u>	<u>93,387</u>
Total	<u>50,448</u>	<u>70,734</u>	<u>114,238</u>

The credit period granted by suppliers to the Group ranges from 30 to 60 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At 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 1 year	745	2,081	1,683
	<u>16,036</u>	<u>21,444</u>	<u>20,851</u>

THE COMPANY

	At December 31,	
	2012	2013
	RMB'000	RMB'000
Accrued listing expenses	—	20,972

32. BORROWINGS

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Secured bank loans	40,000	—	—
Unsecured bank loan	—	—	377
	<u>40,000</u>	<u>—</u>	<u>377</u>
Carrying amount repayable:			
Within one year.....	40,000	—	162
More than two years, but not more than five years..	—	—	215
	<u>40,000</u>	<u>—</u>	<u>377</u>
Less: Amounts due within one year shown under current liabilities	<u>(40,000)</u>	<u>—</u>	<u>(162)</u>
Amount shown under non-current liabilities	<u>—</u>	<u>—</u>	<u>215</u>

The amounts due are based on scheduled repayment dates set out in the relevant loan agreements.

The ranges of effective interest rates (which are the contracted interest rates) on the Group's borrowings are as follows:

	At December 31,		
	2011	2012	2013
Variable-rate borrowing			
Benchmark lending rate	5.31%to 6.6%	N/A	N/A
Effective interest rate	6.6%	N/A	N/A
Fixed-rate borrowing			
Effective interest rate	N/A	N/A	11.0%

All bank borrowings are denominated in RMB.

As at December 31, 2011, several investment properties held by fellow subsidiaries of the Company have been pledged to a bank in respect of the bank borrowing amounting to RMB40,000,000 granted to the Group. The pledge of assets has been released during the year ended December 31, 2012. In addition, guarantee was given by fellow subsidiaries of the Company to secure the bank borrowing at no cost and the guarantee has been released during the year ended December 31, 2012.

33. REDEEMABLE SHARES

On May 29, 2013, the Company, China Bowen Capital Management Co., Ltd. ("China Bowen"), Fantasia Holdings and Splendid Fortune Enterprise Limited ("Splendid Fortune") entered into a subscription agreement ("China Bowen Subscription Agreement"), pursuant to which the Company agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 ordinary shares (the "China Bowen Subscription Shares") with a total subscription price of HK\$7,762,400 (equivalent to US\$1,000,000 or RMB6,177,000).

The Company has granted an option (the "Put Option") to China Bowen that in the event that an initial public offering does not complete on or before June 4, 2015 (or such later date as the Company and China Bowen may agree in writing) ("Put Option Completion Date"), China Bowen may, for a period of 30 days thereafter, by notice in writing to the Company, require the Company to purchase all the China Bowen Subscription Shares then held by China Bowen at the amount equal to the sum of the subscription amount by China Bowen plus a return calculated at the rate of 12% per annum minus any dividends or distribution and any amounts in relation to the transfer or disposal of such China Bowen Subscription Shares, received by China Bowen in relation to the China Bowen Subscription Shares.

The Company has presented the above subscription with the Put Option as a financial liability-redeemable shares. If the Company completes a qualifying initial public offering on or before June 4, 2015, the China Bowen Subscription Shares will be reclassified to share capital of the Company and the difference between par value of China Bowen Subscription Shares and the then carrying amount of the redeemable shares would be included in the share premium of the Company.

The effective interest rate of the redeemable shares is 12%, during the year ended December 31, 2013, finance cost amounting of RMB436,000 was charged to profit or loss.

34. SHARE CAPITAL

The share capital of the Group at January 1, 2011 represented the issued and fully paid share capital of Ace Link, the then holding company of the Group.

Authorized Share Capital

As of the date of incorporation, the initial authorized share capital of the Company was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each.

On June 11, 2014, the authorized share capital of the Company increased from HK\$380,000 to HK\$5,000,000,000 by the creation of an additional 49,996,200,000 shares.

Issued Share Capital

On the date of incorporation, 10,000 shares of HK\$0.10 each of the Company were allotted and issued. Fantasia Holdings was the sole shareholder of the Company on the date of incorporation.

On July 25, 2011, 10,000 shares of HK\$0.10 each of the Company were allotted and issued to Fantasia Holdings. On July 26, 2011, Fantasia Holdings and Splendid Fortune have entered into an instrument of transfer pursuant to which 6,000 shares of the Company were transferred from Fantasia Holdings to Splendid Fortune. Upon completion of such transfer, Fantasia Holdings and Splendid Fortune held 14,000 and 6,000 shares of the Company, respectively.

In May 2013, 1,386,000 and 594,000 shares of HK\$0.10 each of the Company were issued and allotted to Fantasia Holdings and Splendid Fortune respectively for a total consideration of HK\$198,000 (approximately to RMB156,000). The amount standing to the credit of the distributable reserves account of the Company in the sum of HK\$198,000 (approximately to RMB156,000) was capitalized and applied in paying up in full the 1,386,000 shares and 594,000 shares. Upon completion of such issue and allotment, Fantasia Holdings and Splendid Fortune held 1,400,000 shares and 600,000 shares, respectively.

In May 2013, the Company entered into a subscription agreement (the "First Shanghai Subscription Agreement") with the First Shanghai Securities Limited ("First Shanghai"), pursuant to which the Company agreed to issue and allot to First Shanghai, and First Shanghai agreed to subscribe for an aggregate of 69,760 shares of the Company with a total subscription price of HK\$46,574,400 (equivalent to US\$6,000,000 or RMB37,064,000).

As discussed in note 33 above, in May 2013, the Company, China Bowen, Fantasia Holdings and Splendid Fortune entered into the China Bowen Subscription Agreement, pursuant to which the Company agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 ordinary shares with a total subscription price of US\$1,000,000. Such shares were accounted for as liabilities pursuant to the terms of the instruments. Please refer to note 33 above for details.

Upon completion of such issues and allotments on June 6, 2013, Fantasia Holdings, Splendid Fortune and First Shanghai held 1,400,000 shares, 600,000 shares and 69,760 shares, respectively.

All new shares rank pari passu with the then existing shares in all respects.

35. RESERVES

THE COMPANY

	Share premium	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
On March 16, 2011 (date of incorporation)	—	—	—
Loss for the period	—	(106)	(106)
At December 31, 2011	—	(106)	(106)
Loss for the year	—	(2)	(2)
At December 31, 2012	—	(108)	(108)
Loss for the year	—	(23,524)	(23,524)
Issue of new shares	37,058	—	37,058
Capitalization Issue	(156)	—	(156)
At December 31, 2013	<u>36,902</u>	<u>(23,632)</u>	<u>13,270</u>

36. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Acquisitions of subsidiaries

For the year ended December 31, 2011

Name of subsidiaries acquired	Place of establishment	Acquisition on	Equity interest acquired (note 1)	Consideration	Principal activities	Objectives of acquisitions
				RMB'000		
Huizhou Youlin Property Management	PRC	July 2011	100%	500	Provision of property management services	Expansion of property management services
Shenzhen Robert Housekeeper . . .	PRC	July 2011	51%	600	Provision of property management services	Expansion of property management services

For the year ended December 31, 2012

Name of subsidiaries acquired	Place of establishment	Acquisition on	Equity interest acquired (note 1)	Consideration	Principal activities	Objectives of acquisitions
				RMB'000		
Tieling Zhengnan Property Management	PRC	January 2012	51%	1,980	Provision of property management services	Expansion of property management services
Shaanxi Liantang Property Service .	PRC	July 2012	100%	800	Provision of property management services	Expansion of property management services
Heyuan Colour Life Property Management . . .	PRC	August 2012	100%	5,680	Provision of property management services	Expansion of property management services

For the year ended December 31, 2013

Name of subsidiaries acquired	Place of establishment	Acquisition on	Equity interest acquired (note 1)	Consideration	Principal activities	Objectives of acquisitions
				RMB'000		
Qinhuangdao Hongtianyuan Property Service .	PRC	January 2013	51%	2,980	Provision of property management services	Expansion of property management services
Nanjing Mingcheng Property Management . . .	PRC	January 2013	90%	5,680	Provision of property management services	Expansion of property management services
Shaanxi Colour Life Community	PRC	March 2013	51%	— (note 2)	Provision of property management services	Expansion of property management services
Tong Yuan	BVI	January 2013	100%	— (note 2)	Investment Holding	Reorganization
Nanjing Huitao Property Management	PRC	May 2013	90%	5,280	Provision of property management services	Expansion of property management services
Wuxi Taihu Property Management and its subsidiary, Wuxi Pearl Garden	PRC	June 2013	80%	3,200	Provision of property management services	Expansion of property management services
Nanjing Jingjiang Property Management	PRC	June 2013	90%	9,880	Provision of property management services	Expansion of property management services
Shanghai Xinzhou Property Management and its subsidiary, Shanghai Xinzhou Yipu	PRC	June 2013	70%	13,880	Provision of property management services	Expansion of property management services
Novel Era	Hong Kong	January 2013	100%	— (note 2)	Investment Holding	Group reorganisation

Notes:

- Pursuant to the respective shareholder agreements, for the non-wholly owned subsidiaries acquired, the Group has the right to cast over 50% of the votes at the subsidiary's shareholders' meeting since the completion of the acquisition during the Track Record Period. The shareholders' meeting of the subsidiary is the governing body which directs the relevant activities that significantly affect the returns of in each of the subsidiary acquired. The approval of the relevant activities requires simple majority of shareholders' votes. As the Group holds more than 50% of the voting power in the shareholders' meeting, therefore, the acquirees are accounted for as subsidiaries of the Company.
- The consideration was less than RMB1,000.

All the acquisitions during the three years ended December 31, 2011, 2012 and 2013 were acquired from independent third parties.

Consideration transferred

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash consideration	500	6,604	40,900
Consideration payable	600	1,856	—
	<u>1,100</u>	<u>8,460</u>	<u>40,900</u>

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognized as an expense in the year incurred within the “administrative expenses” line item in the consolidated statements of profit or loss and other comprehensive income.

Assets and liabilities recognized at the date of acquisition

	For the year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net assets (liabilities) acquired			
Property, plant and equipment	—	42	2,856
Intangible assets	—	—	1,813
Trade receivables	58	1,053	3,425
Other receivables and prepayments (Note 1)	830	1,983	17,516
Financial assets classified as FVTPL	—	—	500
Bank balances and cash	577	1,284	12,996
Trade payables	(591)	(671)	(500)
Other payables and accruals (Note 2)	(904)	(4,807)	(31,364)
Bank borrowings	—	—	(447)
Tax liabilities	—	(11)	(398)
Deferred tax liabilities	—	—	(453)
	<u>(30)</u>	<u>(1,127)</u>	<u>5,944</u>

Notes:

- For the other receivables and prepayments recognized in the acquisitions during 2013, the balance mainly represented an amount due from a non-controlling shareholder of a subsidiary amounting to RMB13,195,000 which is interest-free, unsecured and repayable on demand.
- For other payables and accruals recognized in the acquisitions during 2013, the balance mainly represented receipts on behalf of residents under commission basis of RMB15,972,000, deposits received from customers of RMB7,869,000, advances from customers of RMB1,357,000, other taxes payable of RMB1,471,000, accrued staff costs of RMB2,386,000 and other payables and accruals of RMB2,309,000.

The trade and other receivables acquired with a fair value of approximately RMB888,000, RMB3,036,000 and RMB20,941,000 as at the date of acquisitions during the year ended December 31, 2011, 2012 and 2013, respectively, had gross contractual amounts of approximately RMB888,000, RMB3,036,000 and RMB20,941,000, respectively.

Goodwill arising on acquisitions

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Consideration transferred	1,100	8,460	40,900
Add (less): non-controlling interests	(260)	(31)	1,467
(Less) add: fair value of net identifiable liabilities (assets) acquired	30	1,127	(5,944)
Goodwill arising on acquisitions	870	9,556	36,423

Goodwill was arisen on the acquisitions of subsidiaries during the years ended December 31, 2011, 2012 and 2013, because these acquisitions included the future profitability of the acquirees' as at the acquisition dates and the anticipated future operating synergies from the acquisitions.

For the acquisitions during the years ended December 31, 2011 and 2012, the fair value of the intangible assets acquired was insignificant at the date of acquisition, and therefore, no intangible asset was recognized by the Group.

For the year ended December 31, 2013, intangible assets of RMB1,813,000 in relation to the acquisition of subsidiaries under property management segment have been recognized by the Group.

None of the goodwill arising on the acquisitions during the years ended December 31, 2011, 2012 and 2013 are expected to be deductible for tax purposes.

Non-controlling interests

The non-controlling interests arising from the acquisition of Shenzhen Robert Housekeeper during the year ended December 31, 2011, Tieling Zhengnan Property Management during the year ended December 31, 2012, and Qinhuangdao Hongtianyuan Property Service, Shaanxi Colour Life Community, Nanjing Mingcheng Property Management, Nanjing Huitao Property Management, Wuxi Taihu Property Management, Nanjing Jingjiang Property Management and Shanghai Xinzhou Property Management during the year ended December 31, 2013 were measured by reference to the proportionate share of the acquirees' net identifiable assets/liabilities at the acquisition dates.

Net cash inflows (outflows) arising on acquisitions

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash consideration	(500)	(6,604)	(40,900)
Bank balances and cash acquired	577	1,284	12,996
Deposits paid in prior year	—	2,380	7,468
	<u>77</u>	<u>(2,940)</u>	<u>(20,436)</u>

Impact of acquisitions on the results of the Group

Revenue and profits attributable by the additional businesses generated by the acquirees included in the Group since the date of acquisition until the end of the year during the years ended December 31, 2011, 2012 and 2013 are as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	1,363	1,247	11,916
Profit (loss) for the year	<u>113</u>	<u>91</u>	<u>(969)</u>

Had the above acquisitions been completed on January 1, of each respective year, the total Group's revenue and profit from the continuing operations for the years ended December 31, 2011, 2012 and 2013 would be as follow:

	Year ended December 31,		
	2011	2012	2013
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	147,866	197,714	241,145
Profit for the year	<u>23,722</u>	<u>45,013</u>	<u>47,412</u>

The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the continuing operations of the Group for the years ended December 31, 2011, 2012 and 2013 that actually would have been achieved had the acquisitions been completed on January 1, 2011, 2012 and 2013 nor is it intended to be a projection of future results.

Summaries of significant acquisitions during the year ended December 31, 2013

Consideration transferred

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration	9,880	13,880	17,140	40,900

Asset and liabilities recognized at the date of acquisitions during the year ended December 31, 2013

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	2,386	33	437	2,856
Intangible assets	—	1,723	90	1,813
Trade receivables	—	—	3,425	3,425
Other receivables and prepayments	613	13,603	3,300	17,516
Financial asset classified as FVTPL	—	—	500	500
Bank balances and cash	1,817	2,012	9,167	12,996
Trade payables	—	—	(500)	(500)
Other payables and accruals (Note)	(2,358)	(12,936)	(16,070)	(31,364)
Bank borrowing	—	(447)	—	(447)
Tax liabilities	—	(259)	(139)	(398)
Deferred tax liabilities	—	(431)	(22)	(453)
	<u>2,458</u>	<u>3,298</u>	<u>188</u>	<u>5,944</u>

Note:

For other payables and accruals recognized at the date of acquisition for the year ended December 31, 2013, the details are as follows:

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Receipts on behalf of residents under commission basis	1,171	8,517	6,284	15,972
Advances from customers	363	—	994	1,357
Deposits received	456	1,973	5,440	7,869
Other tax payable	110	778	583	1,471
Accrued staff costs	—	1,169	1,217	2,386
Other payables and accruals	258	499	1,552	2,309
	<u>2,358</u>	<u>12,936</u>	<u>16,070</u>	<u>31,364</u>

Goodwill arising on acquisitions during the year ended December 31,2013

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration transferred	9,880	13,880	17,140	40,900
Add: non-controlling interests	246	990	231	1,467
Less: fair value of net identified assets acquired	(2,458)	(3,298)	(188)	(5,944)
Goodwill arising on acquisitions	<u>7,668</u>	<u>11,572</u>	<u>17,183</u>	<u>36,423</u>

Net cash outflows arising on acquisitions related to significant acquisitions during the year ended December 31, 2013

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration	(9,880)	(13,880)	(17,140)	(40,900)
Bank balances and cash acquired	1,817	2,012	9,167	12,996
Deposits paid in prior year	—	—	7,468	7,468
	<u>(8,063)</u>	<u>(11,868)</u>	<u>(505)</u>	<u>(20,436)</u>

Impact of acquisitions on the results of the Group since the date of acquisition until the end of the year related to significant acquisitions during the year ended December 31, 2013

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	651	5,867	5,398	11,916
(Loss) profit for the year	<u>(1,844)</u>	<u>517</u>	<u>358</u>	<u>(969)</u>

*(b) Disposal of subsidiaries***For the year ended December 31, 2011**

- (1) In February 2011, the Group disposed of its 100% interests in Shenzhen Liantang Property Management to a fellow subsidiary of the Company for a consideration of RMB5,500,000. Shenzhen Liantang Property Management was engaged in provision of property management services.

The net assets of Shenzhen Liantang Property Management at disposal date were as follows:

	RMB'000
Net assets disposed of	
Other receivables	4,855
Bank balances and cash	42
Tax liabilities	(115)
	4,782
Gain on disposal of a subsidiary recognized in equity (note)	718
	5,500
Satisfied by:	
Cash consideration	5,500
Net cash inflow arising on disposal:	
Cash consideration	5,500
Less: bank balances and cash disposed of	(42)
	5,458

Note: The entire equity interest in Shenzhen Liantang Property Management was disposed of to a fellow subsidiary of the Company as part of the Reorganization, and therefore, the gain on disposal of subsidiary was recognized in equity of the Group.

- (2) In March 2011, the Group disposed of its 100% equity interests in Ningxia Hui Construction and entire 60% interest in Shenzhen Hongwei Decoration (together with its subsidiaries including Hong Kong Kangnian Trading, Shenzhen Huiheng Real Estate and Shenzhen Kangnian Technology) to a fellow subsidiary of the Company for an aggregate consideration of RMB25,000,000. The companies were primarily engaged in property development, interior design, trading and investment.

The net assets of the companies at disposal date were as follows:

	<u>RMB'000</u>
Net assets disposed of	
Property, plant and equipment	4,278
Investment properties	128,580
Deferred tax assets	42,733
Properties held for sales	278,626
Trade receivables, other receivables and prepayments	164,103
Amounts due from fellow subsidiaries	2,936,147
Restricted bank deposits	1,025
Bank balances and cash	262,091
Trade payables, other payables and accruals	(81,423)
Amounts due to fellow subsidiaries	(2,239,739)
Borrowings	(859,262)
Tax liabilities	(322,034)
	<u>315,125</u>
Loss on disposal of subsidiaries	
Consideration received	25,000
Net assets disposed of	(315,125)
Non-controlling interests	229,582
	<u>(60,543)</u>
Loss on disposal recognized in equity	<u>(60,543)</u>
Net cash outflow arising on disposal:	
Cash consideration	25,000
Less: bank balances and cash disposed of	(262,091)
	<u>(237,091)</u>

Note: The entire equity interests in the companies were disposed to a fellow subsidiary of the Company as part of the Reorganization, and therefore, the related loss on disposal of subsidiaries was recognized in equity of the Group.

Impacts on the Group's cash flows, revenue and profit for the year ended December 31, 2012 on this discontinued operation are disclosed in note 37.

For the year ended December 31, 2013

The details of disposal of subsidiaries during the year ended December 31, 2013 are as follows:

Name of subsidiaries disposed of	Place of establishment	Disposal on	Equity interest disposed	Consideration	Principal activities
				RMB'000	
Shenzhen Caiyue Hotel (Note 1)	PRC	January 2013	100%	2	Provision of hotel services
Shenzhen Caiyue Hotel Management (Note 1)	PRC	March 2013	100%	2	Investment holding
Ace Link (Note 2)	BVI	April 2013	100%	—	Investment holding
Shenzhen Robert Housekeeper (Note 1)	PRC	July 2013	51%	380	Provision of property management service
Shenzhen Colour Life Qingjie Service (Note 1)	PRC	July 2013	100%	1,250	Provision of community leasing, sales and other services

Notes:

- (1) During the year ended December 31, 2013, the Group disposed Shenzhen Caiyue Hotel, Shenzhen Caiyue Hotel Management, Shenzhen Robert Housekeeper and Shenzhen Colour Life Qingjie service to independent third parties. The net assets of the companies at disposal date were as follow:

	RMB'000
Net assets recognized at the dates of disposal	
Property, plant and equipment	725
Trade and other receivables	1,604
Bank balances and cash	1,142
Trade and other payables	(2,635)
Tax liabilities	(254)
	582
Gain on disposal of subsidiaries	
Consideration received or receivable	1,634
Net assets disposed of	(582)
Non-controlling interests	(274)
	778
Gain on disposal recognized in profit or loss	778
Satisfied by:	
Cash consideration	4
Consideration receivable	1,630
	1,634
Net cash outflow arising on disposal	
Cash consideration	4
Less: bank balances and cash disposed of	(1,142)
	(1,138)

- (2) The entire equity interests in Ace Link, together with its interests in Colour Life Service Group (HK) and Yahao Technology, were disposed to Zhao Xing Holdings, a fellow subsidiary of the Company, for a consideration of HK\$100 as part of the Reorganization and therefore, the loss on disposal of the entire interest in Ace Link amounting to RMB9,125,000, was recognized in equity.

The net assets of Ace Link at disposal date were as follows:

	<u>RMB'000</u>
Net assets recognized at the date of disposal	
Amounts due from fellow subsidiaries	9,125
Loss on disposal	
Consideration received (Note)	—
Net assets disposed of	9,125
Loss on disposal recognized in equity	<u>(9,125)</u>
Satisfied by:	
Cash consideration (Note)	<u>—</u>
Net cash inflow arising on disposal	
Cash consideration (Note)	<u>—</u>

Note: The cash consideration represented HK\$100.

The subsidiaries being disposed of did not contribute significantly to the Group's cash flows, revenue and profit for the year ended December 31, 2013.

37. DISCONTINUED OPERATIONS

As at December 31, 2011, the major classes of assets and liabilities attributable to the Group's continuing and discontinued operations (i.e. other property operation and hotel operation) are analyzed as follows:

As at December 31, 2011

	<u>Continuing operations</u>	<u>Hotel operation</u>	<u>Consolidated total</u>
	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 prepayment	8,832	—	8,832
Deferred tax assets	1,875	—	1,875
Total Non-current Assets	<u>45,485</u>	<u>—</u>	<u>45,485</u>
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	<u>419,259</u>	<u>2,145</u>	<u>421,404</u>
Total Assets	<u>464,744</u>	<u>2,145</u>	<u>466,889</u>

	Continuing operations	Hotel operation	Consolidated total
	RMB'000	RMB'000	RMB'000
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 at December 31, 2012

	Continuing operations	Hotel operation	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 prepayment	8,110	—	8,110
Deferred tax assets	2,001	—	2,001
Total Non-current Assets	66,531	—	66,531

	Continuing operations	Hotel operation	Consolidated total
	RMB'000	RMB'000	RMB'000
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 work	45,749	—	45,749
Amounts due from fellow subsidiaries	330,850	—	330,850
Amount due from a related party	46,250	—	46,250
Amounts due from non-controlling shareholders ...	675	—	675
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 (note)	—	2,509	2,509
Total Current Liabilities	543,562	2,509	546,071
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

Note: They included tax liabilities attributable to Shenzhen Caiyue Hotel which were classified as held for sale at December 31, 2012.

(a) For other property operation (Note)

In March 2011, the Group disposed of Ningxia Hui Construction for a consideration of RMB20,000,000, and Shenzhen Hongwei Decoration, together with its subsidiaries including Shenzhen Kangnian Technology, Shenzhen Huiheng Real Estate and Hong Kong Kangnian Trading for a consideration of RMB5,000,000 to a fellow subsidiary of the Company.

The results of the other property operation for the year ended December 31, 2011, which have been included in the consolidated statement 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	<u>(36,339)</u>

Note: Ningxia Hui Construction which engaged in property construction services, and Shenzhen Hongwei Decoration, together with its subsidiaries including Shenzhen Kangnian Technology, Shenzhen Huiheng Real Estate and Hong Kong Kangnian Trading which engaged in interior design services, property development, trading and investment holding, respectively, are classified as other property operation.

Loss for the year from discontinued operations has been arrived at after charging (crediting):

	Year ended December 31,
	2011
	RMB'000
Staff's salaries and allowance	2,393
Retirement benefits scheme contributions	307
Total staff costs	2,700
Auditors' remuneration	2
Cost of properties recognized as expenses	—
Interest income	(269)
Net exchange gain	(4,305)
Depreciation of property, plant and equipment	505
Changes in fair value of investment properties	(248)
Changes in fair value of investment properties upon transfer of properties held for sale	(2,577)
Rental income from investment properties	110
Finance costs	
— Interest on bank borrowings wholly repayable within five years	13,835

Cash flows for the year ended December 31, 2011 were as follows:

	Year ended December 31,
	2011
	RMB'000
Net cash from operating activities	46,028
Net cash from investing activities	2,278,914
Net cash used in financing activities	(2,216,732)
Net cash inflows	108,210

(b) For hotel operation

In October 2012, the directors resolved to cease its hotel operation and the Group entered into a sale agreement to dispose of a subsidiary, Shenzhen Caiyue Hotel, to an independent third party. The liabilities attributable to Shenzhen Caiyue Hotel was classified as held for sale at December 31, 2012. The disposal was completed in March 2013 on which date control of Shenzhen Caiyue Hotel was passed to the acquirer.

The results of the hotel operation for the years ended December 31, 2011, 2012 and 2013, which have been included in the consolidated statements of profit or loss and other comprehensive income, were as follows:

	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)	—
Profit/(loss) before tax	130	(237)	—
Income tax expense	(247)	(292)	—
Loss for the year	(117)	(529)	—

(Loss) profit for the year from discontinued hotel operation includes the following:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Inventories recognized as cost	506	147	—
Staff's salaries and allowance	1,413	646	—
Retirement benefits scheme contributions	90	49	—
Total staff costs	1,503	695	—
Auditors' remuneration	—	—	—

Cash flows for the years ended December 31, 2011, 2012 and 2013 were as follows:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net cash inflows (outflows) from operating activities and net cash inflows (outflows)	464	(2,669)	—

38. OPERATING LEASES*The Group as lessee*

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year			
Continuing operations	4,257	1,682	4,407
Discontinued operations (note)	2,357	1,364	—

Note: This represented the minimum lease payments from hotel operation.

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

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

Operating lease payments represent rentals payable by the Group for certain office premises, shops and hotel buildings. Leases are negotiated and rentals are fixed for terms of two to ten years.

The Group as lessor

The Group had entered into contracts with residential communities to rent out the automation equipments to the residential communities managed by the Group in order to facilitate the automation equipment upgrade services provided to these residential communities. The relevant income is recognized as revenue under engineering services segment. For the automation equipments had been rented out, the committed lease terms are 5 years.

The Group entered into the lease agreements with landlords and then sub-leased the properties to various leasees and recognized the net rental charge between the landlords and tenants as revenue under community leasing, sales and other services segment. These sub-leased properties have committed tenants from 1 year to 10 years.

The Group also rented out its investment properties to independent third parties. Property rental income earned during the years ended December 31, 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 3 years.

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

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within one year	2,844	3,950	14,111
Between one and five years	10,239	11,241	31,652
over five years	2,475	2,250	1,921
	<u>15,558</u>	<u>17,441</u>	<u>47,684</u>

39. CAPITAL AND OTHER COMMITMENTS

	At 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	<u>4,521</u>	<u>3,627</u>	<u>—</u>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	<u>642</u>	<u>1,795</u>	<u>11,620</u>

40. RETIREMENT BENEFITS SCHEME

The employees of the PRC entities are members of a state-managed retirement benefits scheme operated by the government of PRC. The Group is required to contribute 12% to 20% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to the consolidated statements of profit or loss and other comprehensive income of RMB2,777,000, RMB5,879,000, and RMB5,943,000 for the years ended December 31, 2011, 2012 and 2013, respectively, represented contributions from the continuing operation payable to the scheme.

The total cost charged to the consolidated statements of profit or loss and other comprehensive income of RMB397,000, RMB49,000, and nil for the years ended December 31, 2011, 2012 and 2013, respectively, represent contributions from the discontinued operations payable to the scheme.

41. SUBSIDIARIES

(a) Composition of the Group

Information about the composition of Group at the end of each reporting period is as follows:

Principal activities	Places of incorporation/ registration/ operation	Number of wholly owned subsidiaries held by the Company		
		At December 31,		
		2011	2012	2013
Investment holding	Cayman Islands	—	2	2
	BVI	1	3	3
	Hong Kong	1	3	3
	PRC	3	3	2
Provision of property management services	PRC	2	4	4
Provision of engineering services	PRC	1	1	1
Provision of residents' community leasing, sales and other services	PRC	2	2	3
Provision of hotel services	PRC	1	1	—
		<u>11</u>	<u>19</u>	<u>18</u>
Principal activities	Places of incorporation/ registration/ operation	Number of non-wholly owned subsidiaries held by the Company		
		At December 31,		
		2011	2012	2013
Provision of property management services	PRC	2	3	10
Provision of engineering services	PRC	1	1	1
Provision of residents' community leasing, sales and other services	PRC	1	1	1
		<u>4</u>	<u>5</u>	<u>12</u>

(b) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests

The table below show details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Profit allocated to non-controlling interests			Accumulated non-controlling interests		
		At December 31,			For the year ended December 31,			At December 31,		
		2011	2012	2013	2011	2012	2013	2011	2012	2013
		%	%		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shenzhen Ancaihua Energy Investment	PRC	49.0	49.0	49.0	511	158	517	560	718	1,215
Shenzhen Huigang Property Management	PRC	25.0	25.0	25.0	330	333	169	726	1,059	1,252
Shenzhen Xinyanhang Real Estate	PRC	7.3	7.3	7.3	92	425	698	38	463	1,161
Shanghai Xinzhou Property Management	PRC	—	—	30.0	—	—	155	—	—	1,145
Individually immaterial subsidiaries with non-controlling interests								(260)	(303)	14
Total								1,064	1,937	4,787

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represented amounts before intragroup eliminations.

Shanghai Xinzhou Property Management

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	—	—	23,775
Non-current assets	—	—	617
Current liabilities	—	—	(19,891)
Non-current liabilities	—	—	(154)
Equity attributable to owners of the Company	—	—	3,043
Non-controlling interests	—	—	1,304

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	—	—	5,867
Expenses	—	—	(5,350)
Profit for the year	—	—	517
Profit attributable to owners of the Company	—	—	362
Profit attributable to the non-controlling interests	—	—	155
Net cash inflow from operating activities	—	—	4,253
Net cash outflow from investing activities	—	—	(84)
Net cash outflow from financing activities	—	—	(3,356)
Net cash inflow	—	—	813

Shenzhen Ancaihua Energy Investment

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	1,017	2,754	7,523
Non-current assets	1,290	1,855	3,910
Current liabilities	(910)	(1,440)	(8,389)
Non-current liabilities	(255)	(1,705)	(564)
Equity attributable to owners of the Company	582	746	1,265
Non-controlling interests	560	718	1,215

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	1,939	1,503	6,391
Expenses	(897)	(1,180)	(5,377)
Profit for the year	1,042	323	1,014
Profit attributable to owners of the Company	531	165	517
Profit attributable to the non-controlling interests	511	158	497
Net cash outflow from operating activities	(544)	(1,152)	(542)
Net cash outflow from investing activities	(11)	(2)	—
Net cash inflow from financing activities	532	1,440	1,722
Net cash (outflow) inflow	(23)	286	1,180

Shenzhen Huigang Property Management

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	5,571	5,583	6,599
Non-current assets	1,254	1,301	1,319
Current liabilities	(3,856)	(2,567)	(2,925)
Non-current liabilities	(66)	(82)	(82)
Equity attributable to owners of the Company	2,177	3,176	3,683
Non-controlling interests	726	1,059	1,228

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	7,021	7,191	6,992
Expenses	(5,703)	(5,860)	(6,315)
Profit for the year	1,318	1,331	677
Profit attributable to owners of the Company	988	998	508
Profit attributable to the non-controlling interests	330	333	169
Net cash inflow from operating activities	631	1,031	154
Net cash outflow from investing activities	(209)	(47)	(18)
Net cash outflow from financing activities	(1,500)	(812)	(220)
Net cash outflow	(1,078)	(266)	(84)

Shenzhen Xinyanhang Real Estate

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	4,238	14,531	24,722
Non-current assets	706	591	935
Current liabilities	(4,433)	(8,822)	(9,857)
Non-current liabilities	—	—	(2)
Equity attributable to owners of the Company	473	5,837	14,637
Non-controlling interests	38	463	1,161

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	6,197	10,760	13,818
Expenses	(4,952)	(4,971)	(4,321)
Profit for the year	1,245	5,789	9,497
Profit attributable to owners of the Company	1,153	5,363	8,799
Profit attributable to the non-controlling interests	92	425	698
Net cash (outflow) inflow from operating activities	(1,339)	4,953	7,826
Net cash outflow from investing activities	(158)	(481)	(261)
Net cash inflow (outflow) from financing activities	1,008	(4,314)	(6,533)
Net cash (outflow) inflow	(489)	158	1,032

42. RELATED PARTY DISCLOSURES

(a) Names and relationships with related parties during the Track Record Period are as follows:

Name	Principal Activities	Relationship
Immediate holding company		
Fantasia Holdings	Investment holding	Immediate holding company
Fellow subsidiaries		
Chengdu Fantasia Property Service Company Limited* 成都市花樣年物業服務有限公司 (“Chengdu Fantasia Property Service”)	Property management services	A subsidiary of Fantasia Holdings
Chengdu Huabali Real Estate Company Limited* 成都花百里置業有限公司 (“Chengdu Huabali Real Estate”)	Property development	A subsidiary of Fantasia Holdings
Chengdu Huaqianli Real Estate Company Limited* 成都花千里置業有限公司 (“Chengdu Huaqianli Real Estate”)	Property development	A subsidiary of Fantasia Holdings
Chengdu Huawanli Real Estate Company Limited* 成都花萬里置業有限公司 (“Chengdu Huawanli Real Estate”)	Property development	A subsidiary of Fantasia Holdings
Chengdu Jiurong Property Development Limited* 成都九蓉房地產開發有限公司 (“Chengdu Jiurong Property Development”)	Property development	A subsidiary of Fantasia Holdings
Chengdu Noah Ark Industrial Company Limited* 成都諾亞舟實業有限公司 (“Chengdu Noah Ark Industrial”)	Property development	A subsidiary of Fantasia Holdings

Name	Principal Activities	Relationship
Chengdu Tonghe Real Estate Company Limited* 成都通和置業有限公司 (“Chengdu Tonghe Real Estate”)	Property development and investment	A subsidiary of Fantasia Holdings
Chengdu Xinjin Youbang Property Development Company Limited* 成都新津友幫房地產開發有限責任公司 (“Chengdu Xinjin Youbang”)	Property development	A subsidiary of Fantasia Holdings
Dongguan Fantasia Investment Development Company Limited* 東莞市花樣年投資發展有限公司 (“Dongguan Fantasia Investment Development”)	Property development	A subsidiary of Fantasia Holdings
Dongguan Huaqianli Property Development Co., Ltd.* 東莞市花千里房地產開發有限公司 (“Dongguan Huaqianli Property Development”)	Property development	A subsidiary of Fantasia Holdings
Fantasia (Chengdu) Ecological Tourism Development Company Limited* 花樣年(成都)生態旅遊開發有限公司 (“Fantasia (Chengdu) Ecological Tourism”)	Property development	A subsidiary of Fantasia Holdings
Fantasia Group (China)*	Investment holding	A subsidiary of Fantasia Holdings
Fantasia Industrial (Chengdu) Development Company Limited* 花樣年實業發展(成都)有限公司 (“Fantasia Industrial (Chengdu) Development”)	Investment holding	A subsidiary of Fantasia Holdings
Fantasia Investment Holdings Company Limited* 香港花樣年投資控股集團有限公司 (“Fantasia Investment Holdings”)	Investment holding	A subsidiary of Fantasia Holdings
Guilin Juhao Property Development Company Limited* 桂林聚豪房地產開發有限公司 (“Guilin Juhao Property Development”)	Property development	A subsidiary of Fantasia Holdings
Huizhou Huiyang Huaqianli Industries Co., Ltd.* 惠州市惠陽區花千里實業有限公司 (“Huizhou Huiyan Huaqianli”)	Property development	A subsidiary of Fantasia Holdings
Jiangsu Dongfa Real Estate Co., Ltd.* 江蘇東發置業有限公司 (“Jiangsu Dongfa Real Estate”)	Property development	A subsidiary of Fantasia Holdings
Joytime Investment Limited 悅泰投資有限公司 (“Joytime Investment”)	Investment holding	A subsidiary of Fantasia Holdings
Nanjing Fantasia Property Development Limited* 南京花樣年房地產開發有限公司 (“Nanjing Fantasia Property Development”)	Property development	A subsidiary of Fantasia Holdings

Name	Principal Activities	Relationship
Shenzhen Fantasia Business Management Company Limited* 深圳花樣年商業管理有限公司 (“Shenzhen Fantasia Business Management”)	Provision of property management services	A subsidiary of Fantasia Holdings
Shenzhen Fantasia Investment Company Limited* 深圳花樣年投資有限公司 (“Shenzhen Fantasia Investment”)	Investment holding	A subsidiary of Fantasia Holdings
Shenzhen Fantasia Property Group Limited* 深圳市花樣年地產集團有限公司 (“Shenzhen Fantasia Property Group”)	Investment holding, property development and investment holding	A subsidiary of Fantasia Holdings
Shenzhen Fantasia Property Service Company Limited* 深圳市花樣年物業服務有限公司 (“Shenzhen Fantasia Property Service”)	Property management services	A subsidiary of Fantasia Holdings
Shenzhen Gaohua Investment Co., Ltd.* 深圳市高華投資有限公司 (“Shenzhen Gaohua Investment”)	Property development	A subsidiary of Fantasia Holdings
Shenzhen Hongwei Decoration	Interior design service	A subsidiary of Fantasia Holdings
Shenzhen Fantasia Hotel Management	Hotel services	A subsidiary of Fantasia Holdings
Shenzhen Huaqianli Real Estate Investment Development Company Limited* 深圳市花千里房地產開發有限公司 (“Shenzhen Huaqianli Real Estate”)	Property development	A subsidiary of Fantasia Holdings
Shenzhen Huiheng Real Estate	Property Development	A subsidiary of Fantasia Holdings
Shenzhen Kangnian Technology	Property development and investment	A subsidiary of Fantasia Holdings
Shenzhen Liantang Property Management	Property development	A subsidiary of Fantasia Holdings
Shenzhen Xingyan Property Consultancy	Property operation services	A subsidiary of Fantasia Holdings
Shenzhen Zhifu Property Development Company Limited* 深圳置富房地產開發有限公司 (“Shenzhen Zhifu Property Development”)	Property development and investment	A subsidiary of Fantasia Holdings
Sichuan Ximei Investment Company Limited* 四川西美投資有限公司 (“Sichuan Ximei”)	Property development	A subsidiary of Fantasia Holdings
Suzhou Fantasia Property Development Limited* 蘇州花樣年房地產開發有限公司 (“Suzhou Fantasia Property Development”)	Property development	A subsidiary of Fantasia Holdings
Suzhou Huawanli Property Development Company Limited* 蘇州花萬里房地產開發有限公司 (“Suzhou Huawanli Property Development”)	Property development	A subsidiary of Fantasia Holdings

Name	Principal Activities	Relationship
Tianjin Huawanli Property Development Company Limited* 天津花萬里房地產開發有限公司 ("Tianjin Huawanli Property Development")	Property development	A subsidiary of Fantasia Holdings
Tianjin Huaqianli Property Development Company Limited* 天津花千里房地產開發有限公司 ("Tianjin Huaqianli Property Development")	Property development	A subsidiary of Fantasia Holdings
Tianjin Songhuajiang Fantasia Real Estate Company Limited* 天津松江花樣年置業有限公司 ("Tianjin Songjiang Fantasia Real Estate")	Property development	A subsidiary of Fantasia Holdings
Tianjin Xintang Property Management Company Limited* 天津新塘物業管理有限公司 ("Tianjin Xintang Property Management")	Property management services	A subsidiary of Fantasia Holdings
Wuxi Fantasia Property Development Company Limited* 無錫花樣年房地產開發有限公司 ("Wuxi Fantasia Property Development")	Property development	A subsidiary of Fantasia Holdings
Yahao Technology (Note)	Investment holding	A subsidiary of Fantasia Holdings
Note: Yahao Technology is classified as a fellow subsidiary of the Group since April 30, 2013 after it was disposed of by the Group in April 2013.		
Joint Venture		
Guilin Tongji	Provision of engineering services	A joint venture of the Company
Associate		
Shenzhen Yuezhong Property Management	Property management services	An associate of the Company
Other related parties		
Ai Yong* 艾永	N/A	A non-controlling shareholder of a subsidiary
Huidong Dayawan San Jiao Zhou Co., Ltd.* 惠東縣大亞灣三角洲俱樂部有限公司 ("Huidong Dayawan San Jiao Zhou")	Hotel operations	Entity controlled by Ms. Zeng Jie, Baby

Name	Principal Activities	Relationship
Qinhuangdao Hongtianyuan Property Service Limited Company No. 1 Branch* (秦皇島市宏添源物業服務有限公司) (“Qinhuangdao Hongtianyuan Property Service Limited Company No. 1 Branch”)	Property management services	A non-controlling shareholder of a subsidiary
Jiangji Property Management No. 1 Company* 錦江物業第一分公司 (“Jiangji Property Management No. 1 Company”)..	Property Management Services	A non-controlling shareholder of a subsidiary
Liu Li and Liu Tong* 劉莉及劉同	N/A	A non-controlling shareholder of a subsidiary
Mu Xiaoming* 慕曉明	N/A	A non-controlling shareholder of a subsidiary
Mao Yiqing* 毛逸清.....	N/A	A non-controlling shareholder of a subsidiary
Zhang Hua* 張華	N/A	A non-controlling shareholder of a subsidiary
Shenzhen City Anmeihua Lighting Co., Ltd.* 深圳市安美華照明有限公司 (“Anmeihua Lighting”)	Engineering services	A non-controlling shareholder of a subsidiary
Shenzhen Huangyi Industry Co., Ltd.* equity 深圳市環益實業有限公司 (“Shenzhen Huangyi”)	Property management service	A non-controlling shareholder of a subsidiary
Tieling Zhengnan Property Development Co., Ltd.* 鐵嶺正南房地產開發公司 (“Tieling Zhengnan Property Development”)	Property development	A non-controlling shareholder of a subsidiary
Wu Tao* 吳濤	N/A	A non-controlling shareholder of a subsidiary

* The English name is for identification purpose only.

(b) Related party balances

At the end of each reporting period, the Group and the Company have the following significant balances with related parties:

The Group

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amounts due from immediate holding company			
Fantasia Holding	—	—	1
Amounts due from fellow subsidiaries			
Non-trade nature			
Chengdu Fantasia Property Service	298	—	—
Fantasia Group (China)	11,699	13,198	984
Fantasia Investment Holdings	—	77,772	—
Huizhou Huiyang Huaqianli	—	—	178
Shenzhen Fantasia Investment	77,388	—	—
Shenzhen Hongwei Decoration	109,750	133,500	—
Shenzhen Huaqianli Real Estate	72,000	72,000	—
Shenzhen Kangnian Technology	—	—	25,000
Shenzhen Liantang Property Management	14	—	—
Shenzhen Zhifu Property Development	25,000	25,000	—
Tianjin Xintang Property Management	1,266	2,674	3,215
	<u>297,415</u>	<u>324,144</u>	<u>29,377</u>
Trade nature			
Chengdu Huabali Real Estate	24	49	49
Chengdu Jiurong Property Development	—	25	25
Chengdu Xinjin Youbang	—	—	479
Dongguan Fantasia Investment Development	—	90	90
Fantasia (Chengdu) Ecological Tourism	292	307	589
Huizhou Huiyang Huaqianli	—	144	23
Jiangsu Dongfa Real Estate	571	112	285
Nanjing Fantasia Property Development	129	171	404
Tianjin Songjiang Fantasia Real Estate	3,715	4,815	—
Shenzhen Huiheng Real Estate	—	—	35
Sichuan Ximei	—	101	209
Suzhou Fantasia Property Development	—	892	588
	<u>4,731</u>	<u>6,706</u>	<u>2,776</u>
	<u>302,146</u>	<u>330,850</u>	<u>32,153</u>
Amounts due from non-controlling shareholders			
Shenzhen Huangyi	—	453	—
Ai Yong	—	222	—
Mao Yiqing	—	—	12,145
Zhang Hua	—	—	918
	<u>—</u>	<u>675</u>	<u>13,063</u>

	At 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 1 year	24	1,802	539
	<u>4,731</u>	<u>6,706</u>	<u>2,776</u>

Included in the Group's amounts due from fellow subsidiaries are trade debtors with aggregate carrying amount of RMB2,830,000, RMB5,234,000 and RMB2,107,000 at December 31, 2011, 2012 and 2013, respectively, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of past due but not impaired trade amounts due from fellow subsidiaries

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
0 to 60 days	1,345	1,000	922
61 to 150 days	866	2,125	—
151 to 335 days	595	307	646
Over 336 days	24	1,802	539
	<u>2,830</u>	<u>5,234</u>	<u>2,107</u>

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amounts due to fellow subsidiaries			
Non-trade nature			
Fantasia Industrial (Chengdu) Development	12	—	—
Chengdu Tonghe Real Estate	20,000	20,000	—
Fantasia Investment Holdings	129	120	9,700
Shenzhen Fantasia Business Management	—	74,000	—
Shenzhen Fantasia Hotel Management	—	110,000	—
Shenzhen Fantasia Investment	—	—	16,349
Shenzhen Fantasia Property Group	—	—	10
Shenzhen Gaohua Investment	45,000	70,000	—
Shenzhen Kangnian Technology	130,000	27,505	—
Shenzhen Zhifu Property Development	—	653	—
Wuxi Fantasia Property Development	54,500	54,500	—
Yahao Technology	—	—	10,660
	<u>249,641</u>	<u>356,778</u>	<u>36,719</u>
Amount due to immediate holding company			
Fantasia Holdings	3,091	3,283	1,428
	<u>3,091</u>	<u>3,283</u>	<u>1,428</u>

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amounts due to non-controlling shareholders			
Current			
Anmeihua Lighting	431	423	815
Shenzhen Huanyi	397	—	—
Tieling Zhengnan Property Development	—	100	100
Mu Xiaoming	—	101	549
Wu Tao	—	—	345
	<u>828</u>	<u>624</u>	<u>1,809</u>
Non-current			
Mu Xiaoming (Note)	—	1,348	781
Liu Li and Liu Tong	—	—	310
	<u>—</u>	<u>1,348</u>	<u>1,091</u>
Amount due to an associate			
Shenzhen Yuezhong Property Management	—	2,126	2,387
	<u>—</u>	<u>2,126</u>	<u>2,387</u>

Note:

Amount due to Mr Mu Xiaoming is non-trade in nature, unsecured, bears interest of 8.9% per annum and matures during the year ending December 31, 2020.

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amount due to a joint venture			
Guilin Tongji	169	94	94
	<u>169</u>	<u>94</u>	<u>94</u>

Except for amount due to Mu Xiaoming, the amounts due to the above related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

The Company

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amount due to a fellow subsidiary:			
— Fantasia Investment Holdings	106	729	1,631
Amounts due to fellow subsidiaries:			
— Tong Yuan	—	—	1
— Colour Cloud Holdings	—	—	315
— Colour Pay Treasure	—	—	315
	<u>—</u>	<u>—</u>	<u>631</u>
Amount due from a subsidiary			
— Novel Era	—	—	35,231
	<u>—</u>	<u>—</u>	<u>35,231</u>

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

The directors represented that the related parties balances would be fully settled upon the listing of the Company's shares on the Stock Exchange.

(c) *Related parties transactions*

In addition to the pledge of assets and guarantee provided by related parties in note 33, the acquisition and disposal of subsidiaries between the Group and the fellow subsidiaries in note 37(a) and 37(b) and the Reorganization in note 2, the Group entered into the following significant transactions with related parties:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Engineering services income (Note 1)			
<i>Fellow subsidiaries:</i>			
Chengdu Huabaili Real Estate	7	3,263	5
Chengdu Huaqianli Real Estate	13	91	—
Chengdu Huawanli Real Estate	633	7	—
Chengdu Jiurong Property Development	3,576	4,039	68
Chengdu Noah Ark Industrial	—	—	3,585
Chengdu Tonghe Real Estate	229	68	163
Chengdu Xinjin Youbang	391	227	10
Dongguan Fantasia Investment Development	1,960	467	1
Dongguan Huaqianli Property Development	48	1,829	585
Fantasia (Chengdu) Ecological Tourism	178	1,289	—
Huizhou Huiyan Huaqianli	558	1,938	340
Nanjing Fantasia Property Development	—	—	1,435
Shenzhen Fantasia Investment	245	21	—
Shenzhen Huiheng	—	—	192
Shenzhen Zhifu Property Development	—	1	—
Sichuan Ximei	1,302	2,685	1
Suzhou Huawanli Property Development	1,737	1,639	426
Tianjin Huaqianli Property Development	—	—	2,760
Tianjin Huawanli Property Development	10	2,321	140
Tianjin Songjiang Fantasia Real Estate	8,356	3,125	1,555
Wuxi Fantasia Property Development	115	1,591	3,717
	<u>19,358</u>	<u>24,601</u>	<u>14,983</u>

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Property management services income (Note 2)			
<i>Fellow subsidiaries:</i>			
Dongguan Fantasia Investment Development.....	2,232	3,339	1,347
Dongguan Huaqianli Property Development.....	952	1,822	1,074
Nanjing Fantasia Property Development.....	129	1,956	2,802
Suzhou Fantasia Property Development.....	—	1,436	2,386
Jiangsu Dongfa Real Estate.....	571	1,667	1,140
Wuxi Fantasia Property Development.....	75	—	—
Tianjin Huaqianli Property Development.....	—	—	1,623
Tianjin Huawanli Property Development.....	493	2,344	—
Guilin Juhao Property Development.....	293	1,479	2,065
Huizhou Huiyang Huaqianli.....	1,397	1,972	178
Shenzhen Fantasia Property Group.....	396	—	—
	<u>6,538</u>	<u>16,015</u>	<u>12,615</u>
Management service fee income (Note 3)			
An associate:			
Shenzhen Yuezhong Property Management.....	26	52	175
<i>Other related party:</i>			
Huidong Dayawan San Jiao Zhou.....	980	612	784
Interest expense (Note 4)			
Other related party:			
Mu Xiaoming.....	—	83	136
Purchase of investment properties (Note 5)			
<i>Fellow subsidiaries:</i>			
Chengdu Huabaili Real Estate.....	603	—	—
Chengdu Huaqianli Real Estate.....	648	—	—
Tianjin Songjiang Fantasia Real Estate.....	—	3,715	—
	<u>1,251</u>	<u>3,715</u>	<u>—</u>

Notes:

- The transactions represented the provision of engineering services, e.g. installation of electrical system, energy-saving lighting/water pump systems to related parties. The transactions were entered into in accordance with the terms agreed by the relevant parties.
- The transactions represented the provision of property management services provided to fellow subsidiaries in relation to the residential communities managed by the fellow subsidiaries. The transactions were entered into in accordance with the terms agreed by the relevant parties.
- The transaction represented the provision of management service provided to Shenzhen Yuezhong Property Management and Huidong Dayawan San Jiao Zhou. The transactions were entered into in accordance with the terms agreed by the relevant parties.
- The interest expense was arisen from the loan advanced from a non-controlling shareholder to a subsidiary of the Company, Mu Xiaoming. The transaction was entered into in accordance with the terms agreed by the relevant parties.
- The transactions represented the purchase of investment properties from various fellow subsidiaries of the Group. The transactions were entered into in accordance with the market value of the investment properties agreed by the relevant parties.

In the opinion of directors, all the transactions are expected to be continued after the listing of the Company's shares on the Stock Exchange.

(d) *Compensation of key management personnel*

The remuneration of key management personnel during the Track Record Period was as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	1,667	1,654	2,208
Post employment benefits	118	138	168
Share-based payments	74	167	370
	<u>1,859</u>	<u>1,959</u>	<u>2,746</u>

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

43. MAJOR NON-CASH TRANSACTIONS

During the years ended December 31, 2011 and 2013 pursuant to the agreements entered into between the Group's certain fellow subsidiaries and independent third parties, all of which are customers of the Group, these customers agreed to dispose of their investment properties to the Group for the settlement of trade receivables due to the Group.

The carrying amounts of trade receivables which were settled by transfer of investment properties to the Group during the Track Record Period are as follows:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables due from:			
Fellow subsidiaries	1,251	—	8,657
Independent third party customers	1,176	—	1,904
	<u>2,427</u>	<u>—</u>	<u>10,561</u>

44. SHARE OPTION SCHEME

The share option scheme (the "Scheme") of Fantasia Holdings was adopted pursuant to a resolution passed on October 27, 2009 for the primary purposes of providing incentives to certain directors and employees of Fantasia Holdings and its subsidiaries ("Eligible Directors and Employees"), including the Company and will expire on August 28, 2021 and October 15, 2022. Under the Scheme, the Board of Directors of Fantasia Holdings is authorized to grant options at a consideration of HK\$1 per option to the Eligible Directors and Employees to subscribe for shares in Fantasia Holdings ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of Fantasia Holdings shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Fantasia Holdings in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Fantasia Holdings's share capital or with a value in excess of HK\$5 million must be approved in advance by Fantasia Holdings's shareholders.

The exercisable period of an option is determined by the directors of Fantasia Holdings at their discretion. The expiry date of the option may be determined by the board of directors of Fantasia Holdings which shall not be later than the expiry day of the Scheme.

The exercise price is determined by the directors of Fantasia Holdings, and will not be less than the greater of: (i) the closing price of Fantasia on the offer date; (ii) the average of the closing price of Fantasia Holdings's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of Fantasia Holdings.

As at December 31, 2011, 2012 and 2013, the total number of shares to be issued upon the exercise of all options granted under the Scheme to the directors and employees of the Company is 7,460,000, 17,190,000 and 17,190,000 of HK\$0.1 each, representing approximately 0.1%, 0.3% and 0.3% of the issued share capital of Fantasia Holdings at December 31, 2011, 2012 and 2013.

Details of the share options granted under the Scheme during the years ended December 31, 2011, 2012 and 2013 is as follows:

Category of Grantee	Date of grant	Exercise price per share	Exercisable period	Vesting period
Directors of Fantasia Holdings (Note 1)	August 29, 2011	HK\$0.836	08/29/2012–08/28/2021	08/29/2011–08/28/2012
			08/29/2013–08/28/2021	08/29/2011–08/28/2013
			08/29/2014–08/28/2021	08/29/2011–08/28/2014
	October 16, 2012	HK\$0.8	10/16/2013–10/15/2022	10/16/2012–10/15/2013
			10/16/2014–10/15/2022	10/16/2012–10/15/2014
			10/16/2015–10/15/2022	10/16/2012–10/15/2015

APPENDIX I
ACCOUNTANTS' REPORT

Category of Grantee	Date of grant	Exercise price per share	Exercisable period	Vesting period
Employees of Fantasia Holdings (Note 2)	August 29, 2011	HK\$0.836	08/29/2012–08/28/2021	08/29/2011–08/28/2012
			08/29/2013–08/28/2021	08/29/2011–08/28/2013
			08/29/2014–08/28/2021	08/29/2011–08/28/2014
	October 16, 2012	HK\$0.8	10/16/2013–10/15/2022	10/16/2012–10/15/2013
			10/16/2014–10/15/2022	10/16/2012–10/15/2014
			10/16/2015–10/15/2022	10/16/2012–10/15/2015

The following table discloses movements of Fantasia Holdings's share options held by employees and directors of the Group during the years ended December 31, 2011, 2012 and 2013:

Category of Grantees	Date of grant	Exercisable period	Vesting period	Outstanding at January 1, 2010 and December 31, 2010	Granted during 2011 and outstanding at December 31, 2011	Granted during 2012	Outstanding at December 31, 2012 and 2013
Directors of the Company (note)	August 29, 2011	08/29/2012 – 08/28/2021	08/29/2011 – 08/28/2012	—	634,000	—	634,000
		08/29/2013 – 08/28/2021	08/29/2011 – 08/28/2013	—	1,268,000	—	1,268,000
		08/29/2014 – 08/28/2021	08/29/2011 – 08/28/2014	—	4,438,000	—	4,438,000
	October 16, 2012	10/16/2013 – 10/15/2022	10/16/2012 – 10/15/2013	—	—	861,000	861,000
		10/16/2014 – 10/15/2022	10/16/2012 – 10/15/2014	—	—	1,722,000	1,722,000
		10/16/2015 – 10/15/2022	10/16/2012 – 10/15/2015	—	—	6,027,000	6,027,000
			—	6,340,000	8,610,000	14,950,000	
Employees of the Company	August 29, 2011	08/29/2012 – 08/28/2021	08/29/2011 – 08/28/2012	—	112,000	—	112,000
		08/29/2013 – 08/28/2021	08/29/2011 – 08/28/2013	—	224,000	—	224,000
		08/29/2014 – 08/28/2021	08/29/2011 – 08/28/2014	—	784,000	—	784,000
	October 16, 2012	10/16/2013 – 10/15/2022	10/16/2012 – 10/15/2013	—	—	112,000	112,000
		10/16/2014 – 10/15/2022	10/16/2012 – 10/15/2014	—	—	224,000	224,000
		10/16/2015 – 10/15/2022	10/16/2012 – 10/15/2015	—	—	784,000	784,000
			—	1,120,000	1,120,000	2,240,000	
Total				—	7,460,000	9,730,000	17,190,000
Exercisable at the end of the year/period				—	—	—	746,000

Note: Mr. Pan Jun and Mr. Lam Kam Tong are directors of both Fantasia Holdings and the Company, the related share-based payment expenses are borne by Fantasia Holding and not allocated to the Company.

The closing price of the shares on the date of grant was HK\$0.82 at August 29, 2011 and HK\$0.77 at October 16, 2012. Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	<u>October 16, 2012</u>	<u>August 29, 2011</u>
Market price	HK\$0.770	HK\$0.820
Exercise price	HK\$0.800	HK\$0.836
Expected volatility	44.87%	40.43%
Risk-free rate	0.66%	1.74%
Expected dividend yield	5.195%	4.878%

During the years ended December 31, 2011 and 2012, the estimated fair value of the options at the date of grant to the directors and employees of the Company is approximately RMB1,029,000 and 1,946,000, respectively.

The Group recognized the total expense of approximately RMB74,000, RMB167,000 and RMB370,000 for the years ended December 31, 2011 and 2012 and 2013, respectively in relation to share options granted by the Fantasia Holdings to the eligible directors and employees of the Company.

45. CONTINGENT LIABILITY

During the year ended December 31, 2012, Shenzhen Buji Water Supplies initiated a legal proceeding against Shenzhen Colour Life Property Management, a subsidiary of the Group, in relation to a water supply contract dispute for a compensation of RMB10,900,000, which included alleged non-payment of RMB2,600,000 and alleged late payment of RMB8,300,000. Up to the date of this report, the procedure of the first instance at Shenzhen Longguan Court has finished, however, the outcome of this legal proceeding is yet to be finalised. With reference to the current situation and based on a legal advice obtained by the Group, the Directors have assessed the issue and considered the amount of compensation cannot be reliably measured at this stage, accordingly, the directors consider no provision is required.

B. EVENTS AFTER THE REPORTING PERIOD

The following transactions took place subsequent to December 31, 2013:

On June 11, 2014, written resolutions of all the shareholders of the Company were passed to approve the matters set out in the paragraph headed "Resolutions in Writing of the Shareholders of Our Company Passed on June 11, 2014" in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company be increased from HK\$380,000 to HK\$5,000,000,000 by the creation of 49,996,200,000 new shares of HK\$0.10 each;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus; and

- (iii) following the change in authorised share capital as referred to in paragraph (i) and conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the Global Offering, the Directors of the Company were authorized to capitalize HK\$74,791,648.80 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 747,916,488 shares. Such shares to be allotted and issued to the shareholders whose names are on the register of members of the Company on the date before the listing date of the Company in proportion to their shareholdings in the Company; and so that the shares be allotted and issued, pursuant to this resolution shall rank pari passu in all respects with the then existing issued shares and the directors were authorised to give effect to such capitalisation.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following section does not form part of the Accountants' Report on the historical financial information of the Group prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix I to this prospectus, and is included for illustrative purpose only.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of our Group attributable to owners of our Company as if it had taken place on December 31, 2013 on the basis of the notes set out below and without taking into account any Shares which may be issued pursuant to the Share Option Scheme, general mandate or repurchased pursuant to the general mandate. Because of its hypothetical nature, it may not give a true picture of financial position of our Group as of December 31, 2013 or at any future dates following the completion of the Global Offering.

The following is the pro forma statement of adjusted consolidated net tangible assets of our Group, which has been prepared for the purpose of illustrating the effect of Global Offering as if it had taken place on December 31, 2013:

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at December 31, 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company per Share	
	(RMB'000) (note 1)	(RMB'000) (note 2)	(RMB'000) (note 3)	(RMB) (note 4)	(HK\$) (note 5)
Based on an Offer Price of HK\$3.30 (RMB2.59) per Share	127,951	598,111	726,062	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) Audited consolidated net tangible assets of our Group attributable to owners of our Company as at December 31, 2013 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of our Company as at December 31, 2013 of RMB178,925,000 less goodwill attributable to owners of the Company of RMB50,537,000 and intangible assets attributable to owners of the Company of RMB437,000 of the Group at December 31, 2013.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price 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 and 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 that 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 the Group attributable to owners of our Company to reflect any trading result or other transactions of the 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 the Group attributable to owners of our 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 the Group attributable to owners of our Company per Share is converted from Renminbi into 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) On May 29, 2013, the Company, China Bowen Capital Management Limited (“China Bowen”), Fantasia Holdings and Splendid Fortune Enterprise Limited (“Splendid Fortune”) entered into a subscription agreement (“China Bowen Subscription Agreement”), pursuant to which the Company agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 ordinary shares (the “China Bowen Subscription Shares”) with a total subscription price of HK\$7,762,400 (equivalent to US\$1,000,000 or RMB6,177,000). The Company has granted an option (the “Put Option”) to China Bowen that in the event that an initial public offering does not complete on or before June 4, 2015 (or such later date as the Company and China Bowen may agree in writing) (“Put Option Completion Date”), China Bowen may, for a period of 30 days thereafter, by notice in writing to the Company, require the Company to purchase all the China Bowen Subscription Shares then held by China Bowen at the amount equal to the sum of the subscription amount by China Bowen plus a return calculated at the rate of 12% per annum minus any dividends or distribution and any amounts in relation to the transfer or disposal of such China Bowen Subscription Shares, received by China Bowen in relation to the China Bowen Subscription Shares.

The Company has presented the above subscription 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 statement of financial position.

Assuming the redeemable shares were converted upon the closing of Global Offering, and after considering the adjustments of Notes (1) and (2) above, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our 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 as at December 31, 2013 amounting to RMB6,614,000. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our 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 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.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF COLOUR LIFE SERVICES GROUP CO., LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Colour Life Services Group Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets of the Group as at December 31, 2013 as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated June 17, 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's financial position as at December 31, 2013 as if the event had taken place at December 31, 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended December 31, 2013 on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 17, 2014

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 16, 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Memorandum of Association (the “**Memorandum**”) and the Articles of Association (the “**Articles**”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on June 11, 2014. The following is a summary of certain provisions of the Articles:

(a) Directors

- (i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to

be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such

employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note:

These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles of Association state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to amend the Articles of Association or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business

days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on

any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in

accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the

Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the 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 Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of

shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them

respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly

authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question

(being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account." At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own

shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 March 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on March 16, 2011. We have established a principal place of business in Hong Kong at Room 1202-03, New World Tower 1, 16-18 Queen's Road Central, Central, and were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on August 12, 2013. Mr. Tang Xuebin and Ms. Cheng Pik Yuk have been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and our Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Articles of Association is set out in the section entitled "Summary of the Constitution of the Company and Cayman Company Law" in Appendix III to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of our incorporation, our initial authorized share capital was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. On the date of our incorporation, one Share in our share capital was allotted and issued to Codan Trust Company (Cayman) Limited, which share was subsequently transferred to Fantasia Holdings, and 9,999 Shares in our share capital was allotted and issued to Fantasia Holdings, on the same day.

On July 25, 2011, 10,000 Shares were issued and allotted to Fantasia Holdings. On July 26, 2011, Fantasia Holdings and Splendid Fortune have entered into an instrument of transfer pursuant to which 6,000 Shares were transferred from Fantasia Holdings to Splendid Fortune. Upon completion of such transfer, Fantasia Holdings and Splendid Fortune held 14,000 Shares and 6,000 Shares, respectively.

On May 28, 2013, 1,386,000 Shares and 594,000 Shares were issued and allotted to Fantasia Holdings and Splendid Fortune, respectively. Upon completion of such issue and allotment, Fantasia Holdings and Splendid Fortune held 1,400,000 Shares and 600,000 Shares, respectively.

On May 29, 2013, our Company entered into (i) the First Shanghai Subscription Agreement with First Shanghai, an Independent Third Party, pursuant to which our Company agreed to issue and allot to First Shanghai to hold on trust for and on behalf of 11 individual investors and one corporate investor who are also Independent Third Parties (other than Mr. Zeng Liqing (曾李青) who is our Non-executive Director) (the "Investors"), and First Shanghai agreed to subscribe for and on behalf of the Investors an aggregate of 69,760 Shares; and (ii) the China Bowen Subscription Agreement with China Bowen, an Independent Third Party, pursuant to which our Company agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 Shares. Upon completion of such issues and allotments on June 5, 2013, Fantasia Holdings, Splendid Fortune, First Shanghai (on behalf of the Investors) and China Bowen held 1,400,000 Shares, 600,000 Shares, 69,760 Shares and 13,752 Shares, respectively.

On June 11, 2014, our authorized share capital increased from HK\$380,000 to HK\$5,000,000,000 by the creation of an additional 49,996,200,000 Shares of HK\$0.10 each.

Immediately following the completion of the Global Offering and the Capitalization Issue (but not taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$100,000,000 divided into 1,000,000,000 Shares of HK\$0.10 each, all fully paid or credited as fully paid and 49,000,000,000 Shares of HK\$0.10 each will remain unissued.

Save for aforesaid and as mentioned in the section entitled “— 3. Resolutions in Writing of the Shareholders of Our Company Passed on June 11, 2014” below, there has been no alteration in the share capital of the Company since its incorporation.

3. Resolutions in Writing of the Shareholders of Our Company Passed on June 11, 2014

- (i) Pursuant to written resolutions of the Shareholders of our Company passed on June 11, 2014:
 - (a) the amended and restated Memorandum of Association was approved and adopted;
 - (b) the amended and restated Articles of Association were approved and adopted conditional upon and with effect from the Listing;
 - (c) the authorized share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each to HK\$5,000,000,000 divided into 50,000,000,000 Shares of HK\$0.10 each by the creation of an additional 49,996,200,000 Shares of HK\$0.10 each;
 - (d) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering and the Capitalization Issue and Shares to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme); (ii) the entering into of the Price Determination Agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorized to approve the allotment and issue of the Shares, as the case may be, pursuant to the Global Offering on and subject to the terms and conditions thereof as set out in this prospectus and the Application Forms to be published by the Company in accordance with the Listing Rules;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below, were approved and adopted and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and

- (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorized to capitalize HK\$74,791,648.80 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 747,916,488 Shares. Such Shares to be allotted and issued to the Shareholders whose names are on the register of members of our Company on the date before the Listing Date in proportion to their shareholdings in our Company;
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and Capitalization Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (f) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (g) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. Corporate Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the Listing. Please refer to the section “History and Reorganization — Reorganization.”

5. Changes in the Share Capital of Subsidiaries

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, the Company has no other subsidiaries. There has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of Our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders’ approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions passed by our then Shareholders on June 11, 2014, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10.0% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any purchase by our Company may be made out of the profits of our Company, out of our Company’s share premium account or out of a fresh issue of Shares made for the purpose of the purchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our

Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial condition as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue (and assuming that no Share is issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by Companies Law or the Articles or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

(d) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or

consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25.0% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) an equity transfer agreement dated December 8, 2012 for the transfer of 90% equity interests in Nanjing Mingcheng Property Management by Mr. Huang Jianxin (黃建新) and Ms. Huang Jianqin (黃建琴) to Shenzhen Colour Life for a total consideration of RMB5,680,000;
- (b) an equity transfer agreement dated March 14, 2013 for the transfer of the entire equity interest in Shenzhen Colour Life by Yahao Technology to Shenzhen Colour Life Community Technology for a consideration of RMB15,000,000;
- (c) an equity transfer agreement dated March 14, 2013 for the transfer of 51% equity interests in Shaanxi Colour Life Property Management by Mr. Zhang Hua (張華), Mr. Yin Jingyi (殷敬怡) and Mr. Zhang Xiangrong (張向榮) to Shenzhen Colour Life for a total consideration of RMB1;
- (d) an equity transfer agreement dated April 2, 2013 for the transfer of 90% equity interests in Nanjing Huitao Property Management by Mr. Wu Tao (吳濤) and Mr. Ma Xu (馬旭) to Shenzhen Colour Life for a total consideration of RMB5,280,000;
- (e) an equity transfer agreement dated June 25, 2013 for the transfer of 90% equity interests in Nanjing Jinjiang Property Management by Mr. Yu Youzhong (俞有忠), Mr. Zhang Caibing (張才兵), Mr. Yu Shengming (俞聖明) and Ms. Xu Yuting (許玉婷) to Shenzhen Colour Life for a total consideration of RMB9,880,000;
- (f) an equity transfer agreement dated June 28, 2013 for the transfer of 70% equity interests in Shanghai Xinzhou Property Management by Ms. Mao Yiqing (毛逸清) to Shenzhen Colour Life for a consideration of RMB13,880,000;
- (g) an equity transfer agreement dated June 30, 2013 for the transfer of 80% equity interests in Wuxi Taihu Property Management by Wuxi Taihu Garden Real Estate Management Co., Ltd. (無錫市太湖家園房地產經營有限公司) to Shenzhen Colour Life for a consideration of RMB3,200,000;

- (h) a share subscription agreement dated May 29, 2013 entered into between First Shanghai and our Company pursuant to which First Shanghai agreed to subscribe for and on behalf of the Investors (as defined therein), 69,760 Shares for a total consideration of HK\$46,574,400;
- (i) a share subscription agreement dated May 29, 2013 entered into among China Bowen, Fantasia Holdings, Splendid Fortune and our Company pursuant to which China Bowen agreed to subscribe for 13,752 Shares for a total consideration of HK\$7,762,400;
- (j) an exclusive management and operation agreement dated June 16, 2014 entered into between Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Shenzhen Colour Life Network Service and Shenzhen Caizhiyun Network as detailed in the section entitled “History, Reorganization and the Group Structure — History and Development — The Structured Contracts — Summary of the Structured Contracts — (1) Exclusive Management and Operation Agreement”;
- (k) a call option agreement dated June 16, 2014 entered into between Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Shenzhen Colour Life Network Service and Shenzhen Caizhiyun Network as detailed in the section entitled “History, Reorganization and the Group Structure — History and Development — The Structured Contracts — Summary of the Structured Contracts — (2) Call Option Agreement”;
- (l) a shareholders’ rights entrustment agreement dated June 16, 2014 entered into between Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Shenzhen Colour Life Network Service and Shenzhen Caizhiyun Network as detailed in the section entitled “History, Reorganization and the Group Structure — Summary of the Structured Contracts — (3) Shareholders’ Rights Entrustment Agreement”;
- (m) an equity pledge agreement dated June 16, 2014 entered into between Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Shenzhen Colour Life Network Service and Shenzhen Caizhiyun Network as detailed in the section entitled “History, Reorganization and the Group Structure — Summary of the Structured Contracts — (4) Equity Pledge Agreement”;
- (n) a power of attorney dated June 16, 2014 entered into between Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Shenzhen Colour Life Network Service and Shenzhen Caizhiyun Network as detailed in the section entitled “History, Reorganization and the Group Structure — Summary of the Structured Contracts — (5) Power of Attorney”;
- (o) a cornerstone investment agreement dated June 16, 2014, entered into by and among the Company, Qihoo 360 Technology Co. Ltd., Guotai Junan Securities and Merrill Lynch International pursuant to which Qihoo 360 Technology Co. Ltd. agreed to subscribe for Offer Shares for a consideration of US\$10 million at the Offer Price per Offer Share;
- (p) the Deed of Indemnity;
- (q) the Deed of Non-Competition; and
- (r) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group













(a) Patents












As of the Latest Practicable Date, our Group had applied for the registration of the following patents:

Patent	Application Number	Type	Name of Applicant	Place of Application	Date of Application
AB門防跟隨通道管理系統 (AB Door Anti-Tailgating Passage Management System).....	201320009964.3	patent	Shenzhen Colour Life	PRC	January 9, 2013

(b) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	4179079	42	Shenzhen Colour Life Property Management	PRC	November 28, 2007	November 27, 2017
	4179080	36	Shenzhen Colour Life Property Management	PRC	February 7, 2008	February 6, 2018
	301076490	2, 4, 6, 16, 19, 20, 24, 25, 27, 28, 35, 36, 37, 39, 42, 43, 45	Shenzhen Colour Life	HK	March 20, 2008	March 19, 2018
	6606633	2	Shenzhen Colour Life	PRC	May 28, 2010	May 27, 2020
	6606632	4	Shenzhen Colour Life	PRC	April 7, 2010	April 6, 2020
	6606631	6	Shenzhen Colour Life	PRC	April 14, 2010	April 13, 2020
	6606650	14	Shenzhen Colour Life	PRC	March 28, 2010	March 27, 2020
	6606649	16	Shenzhen Colour Life	PRC	April 21, 2010	April 20, 2020
	6606648	19	Shenzhen Colour Life	PRC	August 7, 2011	August 6, 2021
	6606647	20	Shenzhen Colour Life	PRC	March 28, 2010	March 27, 2020
	6606646	24	Shenzhen Colour Life	PRC	July 14, 2010	July 13, 2020
	6606645	25	Shenzhen Colour Life	PRC	July 14, 2010	July 13, 2020

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	6606644	27	Shenzhen Colour Life	PRC	July 14, 2010	July 13, 2020
	6606643	28	Shenzhen Colour Life	PRC	July 14, 2010	July 13, 2020
	6606642	35	Shenzhen Colour Life	PRC	February 14, 2011	February 13, 2021
	6606641	37	Shenzhen Colour Life	PRC	April 7, 2010	April 6, 2020
	6607041	38	Shenzhen Colour Life	PRC	April 7, 2010	April 6, 2020
	6607042	39	Shenzhen Colour Life	PRC	August 28, 2010	August 27, 2020
	6607043	40	Shenzhen Colour Life	PRC	April 7, 2010	April 6, 2020
	6607044	41	Shenzhen Colour Life	PRC	February 14, 2011	February 13, 2021
	6607045	43	Shenzhen Colour Life	PRC	September 28, 2010	September 27, 2020
	6607047	45	Shenzhen Colour Life	PRC	April 28, 2010	April 27, 2020
	9305616	45	Qinhuangdao Hongtianyuan Property Service	PRC	April 14, 2012	April 13, 2022

(c) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Name of Registered Proprietor	Date of Registration	Expiry Date
4008893893.com	Shenzhen Caizhiyun Network	March 20, 2012	March 20, 2015
4008893893.net	Shenzhen Caizhiyun Network	March 20, 2012	March 20, 2015
www.colourlife.com	Shenzhen Caizhiyun Network	April 7, 2005	April 7, 2015
www.colourlife.net	Shenzhen Caizhiyun Network	May 10, 2005	May 10, 2015
colourlife.com.hk	Novel Era	March 10, 2014	March 10, 2017
colourlife.hk	Novel Era	March 10, 2014	March 10, 2017

(d) Copyright

As of the Latest Practicable Date, our Group was the registered proprietor of the following copyrights which, in the opinion of our Directors, are material to our Business:

Copyright	Name of Registered Proprietor	Date of Publication
彩生活商城系統V1.0 (Colour Life Mall System V1.0)	Shenzhen Colour Life Network Service	June 18, 2008
彩生活收費系統V1.0 (Colour Life Toll System V1.0)	Shenzhen Colour Life Network Service	August 20, 2007
彩生活OA辦公系統V1.0 (Colour Life OA Office System V1.0)	Shenzhen Colour Life Network Service	August 20, 2007
彩生活房產管理系統V1.0 (Colour Life Real Estate Management System V1.0)	Shenzhen Colour Life Network Service	August 20, 2007
彩生活積分系統V1.0 (Colour Life Credit System V1.0)	Shenzhen Colour Life Network Service	December 18, 2010
彩生活人事系統V1.0 (Colour Life Personnel System V1.0)	Shenzhen Colour Life Network Service	December 18, 2010
彩生活APP android版軟件 (Colour Life APP android software)	Shenzhen Colour Life Network Service	September 1, 2013
彩生活APP IOS版軟件 (Colour Life APP IOS software)	Shenzhen Colour Life Network Service	September 1, 2013
彩生活業主管理系統 (Colour Life Owner Management System)	Shenzhen Colour Life Network Service	August 9, 2013
彩生活物業管理系統 (Colour Life Property Management System)	Shenzhen Colour Life Network Service	April 30, 2013
彩生活商家通系統 (Colour Life Business System)	Shenzhen Colour Life Network Service	May 10, 2013
彩之雲APP android版軟件 (Caizhiyun APP android software)	Shenzhen Colour Life Network Service	June 1, 2013
彩之雲APP IOS版軟件 (Caizhiyun APP IOS software)	Shenzhen Colour Life Network Service	September 1, 2013
彩生活網站系統 (Colour Life Website System)	Shenzhen Colour Life Network Service	August 9, 2013
彩生活績效系統 (Colour Life Performance System)	Shenzhen Colour Life Network Service	September 10, 2013

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account of any Shares that may be issued under the Share Option Scheme or Shares which may be taken up pursuant to the Preferential Offering), the interests or short positions of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to our Company once the Shares are listed will be as follows:

(i) *Interests in Fantasia Shares*

Name of Director	Nature of Interest	Number of Shares (Note 1)	Approximate percentage of shareholding interest (Note 2)
Mr. Pan Jun (潘軍)	Beneficial Interests	9,980,000(L)	0.17%
Mr. Lam Kam Tong (林錦堂) . . .	Beneficial Interests	2,770,000(L)	0.05%
Mr. Tang Xuebin (唐學斌)	Beneficial Interests	1,640,000(L)	0.03%
Mr. Dong Dong (董東)	Beneficial Interests	560,000(L)	0.01%

Notes:

- (1) The letter "L" denotes the person's long positions in the Shares.
- (2) These represent Share options of Fantasia Holdings.

(ii) *Interest in Shares of our Company*

Name of Director	Nature of Interest	Number of Shares (Note 1)	Approximate percentage of shareholding interest immediately following the Completion of the Global Offering and the Capitalization Issue
Mr. Tang Xuebin (唐學斌)	Interest of controlled corporation (Note 2)	215,981,477(L)	21.60%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Mr. Tang Xuebin is interested in 43.34% shares in Splendid Fortune, our substantial shareholder. Mr. Tang Xuebin is therefore deemed to be interested in the Shares held by Splendid Fortune for the purpose of Part XV of the SFO.

(iii) Interest in associated corporation of our Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares (Note 1)	Approximate percentage of shareholding interest
Mr. Pan Jun (潘軍)	Graceful Star	Beneficial Interests	100(L)	100%

Note:

- (1) The letter “L” denotes the person’s long position in the Shares.

(b) Interests and short positions of the Substantial Shareholders in the Shares and Underlying Shares of Our Company

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account any Shares that may be issued under the Share Option Scheme), the following persons, (not being Directors or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares (Note 1)	Approximate percentage of shareholding interest immediately following the completion of the Global Offering and the Capitalization Issue
Fantasia Holdings	Beneficial interest (Note 2)	503,956,781(L)	50.40%
Fantasy Pearl.	Interest of controlled corporation (Note 3)	503,956,781(L)	50.40%
Ice Apex.	Interest of controlled corporation (Note 4)	503,956,781(L)	50.40%
Ms. Zeng Jie, Baby (曾寶寶) . . .	Interest of controlled corporation (Note 4)	503,956,781(L)	50.40%
Splendid Fortune.	Beneficial interest (Note 5)	215,981,477(L)	21.60%
Colour Success	Interest of controlled corporation (Note 5)	215,981,477(L)	21.60%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Fantasia Holdings is owned as to 57.16% by Fantasy Pearl, 15.00% by TCL(HK) and 27.84% by the public.
- (3) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the Shares held by and short position of Fantasy Pearl for the purpose of Part XV of the SFO.
- (4) Ice Apex is wholly owned by Ms. Zeng Jie, Baby (曾寶寶). Ms. Zeng is deemed to be interested in the Shares held by Ice Apex for the purpose of Part XV of the SFO.
- (5) Splendid Fortune is wholly-owned by Colour Success, which is in turn owned as to 43.34% by Mr. Tang Xuebin (唐學斌), 13.33% by Mr. Dong Dong (董東), 13.33% by Mr. Ye Hui (葉暉), 13.33% by Mr. Guan Jiandong (關建東), 13.33% by Mr. Chang Rong (昌榮) and 3.34% by Mr. Wang Xuliang (王旭良), respectively.

2. Particulars of Service Contracts

(a) Executive Directors

Each of the Executive Directors has entered into a service contract with our Company under which they agreed to act as Executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the Executive Director or our Company.

The appointments of the Executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) Non-executive Director and Independent Non-executive Directors

Each of the Non-executive Director and the Independent Non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from the Listing Date. Under their respective appointment letters, each of the Non-executive Director and the Independent Non-executive Directors is entitled to a fixed Director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) Others

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) During the year ended December 31, 2013, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB1,305,000. Details of the Directors' remuneration are also set out in note 12 of the Accountants' Report set out in Appendix I to this prospectus.
- (iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2014 is estimated to be no more than RMB1,500,000.
- (iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the three years ended December 31, 2011, 2012 and 2013 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for three years ended December 31, 2011, 2012 and 2013.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Competing Interest of Directors

Please refer to the section “Relationship with Our Controlling Shareholder.”

4. Fees or Commissions Received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the section entitled “— Other Information — Consents of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

5. Disclaimers

Save as disclosed this prospectus:

- (a) none of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are listed;
- (b) none of our Directors nor any of the parties listed in the section entitled “— Other Information — Consents of Experts” below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors nor any of the parties listed in the section entitled “— Other Information — Consents of Experts” below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) save for the Underwriting Agreements, none of the parties listed in the section entitled “— Other Information — Consents of Experts” below:
 - (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group;
- (e) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (f) none of the Directors, their respective associates or Shareholders of our Company who is interested in more than 5% of the issued share capital of our Company has any interests in the five largest suppliers.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on June 11, 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions of the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including Non-executive directors and Independent Non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 (or an equivalent amount in RMB) to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, being 100,000,000 Shares. Options previously granted under the Share Option Scheme and any other share option

schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed. Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any Independent Non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting by way of a poll at which all connected persons of our Company shall abstain from voting in favor of the resolution concerning the grant of such options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(g) Restrictions on the times of grant of Options

A grant of options may not be made after an inside information event has come to its knowledge and such inside information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules);
- (ii) the deadline for our Company to publish an announcement of results of the Company for (i) any year or half-year period in accordance with the Listing Rules; and (ii) any quarterly or any other interim period, where the Company has elected to publish such results (whether or not required under the Listing Rules) and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be), and where the grant of options is to a Director;
- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(h) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do.

(i) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(j) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death, ill-health, injury, disability or termination of his employment on the grounds specified in paragraph (r)(v) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, ill-health, injury or disability, his personal representative(s) may exercise the option within a period of 12 months from such cessation or death of such grantee, which date of cessation shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) Rights on dismissal

If the grantee of an Option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders during the option period of the relevant option, the grantee of an option notwithstanding any other terms on which the Options were granted, shall be entitled to exercise the Options (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company at any time within such period as shall be notified by the Company.

(n) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our

Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme of arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) Ranking of Shares

No dividends shall be payable in relation to shares that are the subject of options that have not been exercised. The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise. Shares issued on the exercise of an option shall not be entitled to any rights attaching to shares by reference to a record date preceding the date of allotment.

(q) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company in accordance with applicable laws and regulatory requirements, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value.

The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his relationship with our Group on any one or more of the following grounds:
 - (1) that he has been guilty of serious misconduct;
 - (2) that he has been convicted of any criminal offense involving his integrity or honesty or in relation to an employee of our Group;
 - (3) that he has become insolvent, bankrupt or has made arrangements or compositions with his creditors generally; or
 - (4) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or

- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall remain in compliance with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) Cancellation of Options

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) Present status of the Share Option Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

E. OTHER INFORMATION**1. Tax and other indemnities**

Fantasia Holdings has entered into the Deed of Indemnity with and in favor of each member of our Company (being the contract referred to in paragraph (a) of the section entitled “— B. Further Information About Our Business — 1. Summary of Material Contracts” above) to provide indemnities on, amongst others, taxation resulting from income, profits or gains earned, accrued or received as well as other claims to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

2. Litigation

As of the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The aggregate Joint Sponsors' fees are approximately HK\$19.1 million.

4. Preliminary Expenses

The preliminary expenses of our Company are approximately HK\$29,000 and have been paid by our Company.

5. Promoter

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
Merrill Lynch Far East Limited	Licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities under the SFO
Guotai Junan Capital Limited	Licensed corporation under the SFO to engage in type 6 (advising on corporate finance) of the regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Commerce & Finance Law Offices	PRC legal advisor
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law

7. Consents of Experts

Each of Merrill Lynch Far East Limited, Guotai Junan Capital Limited, Deloitte Touche Tohmatsu, Commerce & Finance Law Offices and Conyers Dill & Pearman (Cayman) Limited has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus the form and context in which it is respectively included.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Our Directors confirm that:
 - (i) there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2013 (being the date to which the latest audited consolidated financial statements of the Group were prepared); and
 - (ii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial condition of the Group in the 12 months preceding the date of this prospectus.
- (c) The principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
- (d) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption from Companies and Prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW, GREEN** and **BLUE** Application Forms;
- (b) the written consents referred to in the section entitled “Statutory and General Information — E. Other Information — 7. Consents of Experts” in Appendix IV of this prospectus; and
- (c) a copy of each of the material contracts referred to in the section entitled “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV of this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I;
- (c) the audited financial statements of the subsidiaries of our Group for each of the financial years ended December 31, 2011, 2012 and 2013;
- (d) the letter from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II;
- (e) the letter dated the date of this prospectus and prepared by Conyers Dill & Pearman (Cayman) Limited summarizing certain aspects of Cayman Islands company law as referred to in “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III;
- (f) the material contracts referred to in the section entitled “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV;
- (g) the Companies Law;
- (h) the PRC legal opinions issued by Commerce & Finance Law Offices, the legal advisors to our Company on PRC law;
- (i) the rules of the Share Option Scheme as set out in the section entitled “Statutory and General Information — D. Share Option Scheme” in Appendix IV;
- (j) the written consents referred to in the sections entitled “Statutory and General Information — E. Other Information — 7. Consents of Experts” in Appendix IV; and
- (k) the service contracts referred to in the section entitled “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders and Experts — 2. Particulars of Service Contracts” in Appendix IV.



彩生活服務集團有限公司
Colour Life Services Group Co., Limited